Maybank

MALAYAN BANKING BERHAD (3813-K)

Annual Report 2008

Reinforcing Within,

Expanding Beyond

Maybank

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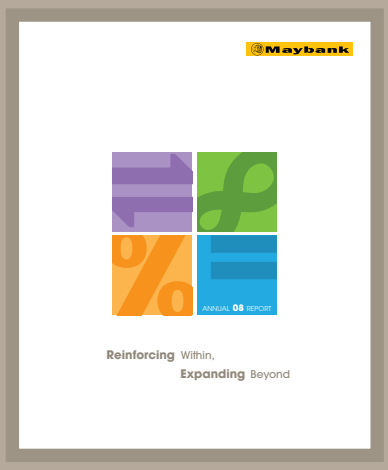

THE COVER

Through the years, Maybank's hallmark of success has been its solid foundation, strong fundamentals and consistent financial performance. The Group is today Malaysia's leading financial services brand with more than 24,000 employees serving customers in over 450 offices worldwide. This year, our Annual Report theme – Reinforcing Within, Expanding Beyond, bears testimony to our aspirations to further build on our leadership capabilities and strengths as the country's undisputed financial services leader and to take our financial services into the region and beyond, adding new geographic borders for us to grow and reach out to many more customers worldwide.

core values

We work together as a team based on mutual respect and dignity

We are honest, professional and ethical in all our dealings

We are passionate about constant improvement and innovation

We are committed to delivering outstanding performance and superior service

We continuously build long term and mutually beneficial partnerships

corporate vision

To be a leading regional financial services group

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Form of Proxy •

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notice of 48th annual general meeting

Grand Ballroom,
Shangri-La Hotel,
Jalan Sultan Ismail,
50250 Kuala Lumpur on Thursday,
25 September 2008 at 11.30 a.m.

NOTICE IS HEREBY GIVEN THAT the 48th Annual General Meeting of Malayan Banking Berhad (Maybank/the Company) will be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 25 September 2008 at 11.30 a.m. for the following businesses:-

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2008 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To approve the payment of a Final Dividend of 20 sen per share less 26% income tax, for the financial year ended 30 June 2008 as recommended by the Board. **(Ordinary Resolution 2)**

3. To re-elect Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor who retires by rotation in accordance with Articles 96 and 97 of the Company's Articles of Association. **(Ordinary Resolution 3)**

4. To re-elect the following Directors, each of whom retires in accordance with Article 100 of the Company's Articles of Association:-

   i) Tan Sri Dato' Sri Chua Hock Chin **(Ordinary Resolution 4)**

   ii) Datuk Syed Tamim Ansari bin Syed Mohamed **(Ordinary Resolution 5)**

   iii) Dato' Aminuddin bin Md Desa **(Ordinary Resolution 6)**

   iv) Dato' Sri Abdul Wahid bin Omar **(Ordinary Resolution 7)**

5. To consider and, if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-

   i) "That Tan Sri Mohamed Basir bin Ahmad, retiring pursuant to Section 129(6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 8)**

   ii) "That Haji Mohd Hashir bin Haji Abdullah, retiring pursuant to Section 129(6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 9)**

   iii) "That Teh Soon Poh, retiring pursuant to Section 129(6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 10)**

6. To approve the payment of Directors' fees of RM1,117,889.32 for the financial year ended 30 June 2008 (FY2006/2007: RM1,234,410.94). **(Ordinary Resolution 11)**

7. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 30 June 2009 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 12)**

AS SPECIAL BUSINESS:

To consider, and if thought fit, to pass the following Ordinary resolution:-

8. **AUTHORITY TO DIRECTORS TO ISSUE SHARES**
   "THAT subject always to the Companies Act, 1965, the Company's Articles of Association and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being."

   (Ordinary Resolution 13)

9. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the Final Dividend of 20 sen per share less 26% income tax, for the financial year ended 30 June 2008, if approved by the shareholders, at the 48th Annual General Meeting, will be paid on 21 October 2008 to Depositors whose names appear in the Record of Depositors on 9 October 2008.

A depositor shall qualify for entitlement to the dividends only in respect of:-

A) Shares deposited into the Depositors' Securities Accounts before 12.30 p.m. on 7 October 2008 (in respect of shares exempted from mandatory deposit);

B) Shares transferred to the Depositors' Securities Accounts in respect of ordinary transfers before 4.00 p.m. on 9 October 2008; and

C) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

MOHD NAZLAN MOHD GHAZALI
LS0008977
Company Secretary

Kuala Lumpur
3 September 2008

NOTES:

1. A member entitled to attend and vote at the 48th Annual General Meeting is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote in his stead. A proxy shall be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy but not more than two proxies each in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Duly completed Form of Proxy must be deposited at the Company's registered office at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, by 23 September 2008 at 11.30 a.m.
4. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
5. Only members registered in the Record of Depositors on or before 12.30 p.m., on 22 September 2008 shall be eligible to attend the AGM.
6. **Explanatory note on Special Business**
   Ordinary Resolution 13 – Authority to Directors to Issue Shares

   The proposed Ordinary Resolution 13, if passed, will give powers to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.
7. **Statement Accompanying the Notice of Annual General Meeting**

   Additional information pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad is set out in Annexure A in Maybank's 2008 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 48TH ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

ANNEXURE A

The Profile of the Directors who are standing for re-election and re-appointment (as per Ordinary Resolutions 3 to 10 as stated above) at the 48th Annual General Meeting of Malayan Banking Berhad (Maybank/the Company) which will be held at Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 25 September 2008 at 11.30 a.m. are stated on pages 44 to 47 of the Annual Report 2008.

The details of any interest in the securities of Maybank and its subsidiaries (if any) held by the said Directors are stated on page 137 of the Annual Report 2008.

FINANCIAL CALENDAR

29.8.2007

Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30.6.2007

7.9.2007

Notice of the 47th Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30.6.2007

29.9.2007

47th Annual General Meeting

2-3.11.2007

Book closure for determining the entitlement of the dividends

15.11.2007

Date of payment of the final dividend of 40 sen per share (less 27% Malaysian Income Tax) in respect of the financial year ended 30.6.2007

15.11.2007

Announcement of the unaudited results of Maybank and of the Group for the first quarter of the financial year ended 30.6.2008

4.1.2008

Notice of the Extraordinary General Meeting in relation to the proposed bonus issue

4-5.1.2008

Book closure for determining the entitlement of the dividends

16.1.2008

Date of payment of the interim dividend of 17.50 sen per share (less 26% Malaysian Income Tax) in respect of the financial year ended 30.6.2008

23.1.2008

Extraordinary General Meeting on the proposed bonus issue

20.2.2008

Announcement of the unaudited results of Maybank and of the Group for the second quarter of the financial year ended 30.6.2008

20.2.2008

Book closure for determining the entitlement of the bonus issues 1:4

27-28.3.2008

Book closure for determining the entitlement of the dividends

7.4.2008

Date of payment of the interim dividend of 15 sen per share (less 26% Malaysian Income Tax) in respect of the financial year ended 30.6.2008

30.4.2008

Notice of the Extraordinary General Meeting in relation to the acquisition of Sorak Financial Holdings Ltd/Bank International Indonesia

14.5.2008

Announcement of the unaudited results of Maybank and of the Group for the third quarter of the financial year ended 30.6.2008

15.5.2008

Extraordinary General Meeting in relation to the acquisition of Sorak Financial Holdings Ltd / PT Bank Internasional Indonesia Tbk

27.8.2008

Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30.6.2008

3.9.2008

Notice of the 48th Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30.6.2008

25.9.2008

48th Annual General Meeting

9.10.2008

Book closure for determining the entitlement of the dividends

21.10.2008

Date of payment of the final dividend of 20 sen per share (less 26% Malaysian Income Tax) in respect of the financial year ended 30.6.2008

BUILDING
strategic relationship

Capitalising on our leading presence in the domestic market, our constant focus in building and nurturing meaningful customer relationship sets the pace and platform for us to establish a stronger footprint in the region and beyond.

Maybank has potential to make it to 'superbank' list

The rise of these superbanks is due to globalisation, consolidation and a focus on distribution

MALAYAN Banking Bhd (Maybank) has been named as one of the banks to watch out for to make it to the 'superbank' list.

Retail Banker International (RBI), a London-based banking industry newsletter, said Maybank, together with other banks like Standard Chartered (StanChart) and OCBC, ... and automated-teller machine (ATM) networks. They include CIMB Bhd, which had taken a control-

Fasken said the St... of India passed th... when it opened its... outlet in April and ... plans to open a furth... by end-2009.

On why there wer... Asian banks on the li... perbanks, Fasken said ... to the lack of branch... "Maybank, Sing... DBS, the Australian ... India's ICICI and Th... Siam Commercial B... example, simply do ... large enough bran... ATMs to mark them ... superbank.

"However, the Asia...

Maybank plans 30 more branches by Ju...

by Lim Shie-Lynn
FD@bizedge.com

...king Bhd is ...ic presence ... ...particularly automated teller ma... conventional branches.

"The branch strategy at retail ... malls has seen a significant in... crease in our e-channel's business, ...

He si... RM500,... which ... usual c... bined c...

Maybank Islamic to begin operations Jan 1, 2008

Maybank Q4 net profit leaps 28pc

■ By Chong Pooi Koon
pooikoon@nstp.com.my

MALAYAN Banking Bhd's (Maybank) net profit rose 28.1 per cent to RM1.08 billion in the fourth quarter to June, driven by higher interest income and improved overseas operations.

Its president and chief executive officer, Datuk Amirsham A. Aziz in a media and analysts briefing in Kuala Lumpur yesterday, expressed confidence in the current financial year's operating environment.

He said implementation of the Ninth Malaysia Plan and higher consumer spending, coupled with its overseas operations, will help the group achieve its target of near 10 per cent loans growth this year.

Net non-performing loan ratio is expected to improve to 2.5 per cent in fiscal 2008.

Maybank's net earnings for the financial year to June 2007 increased 14.6 per cent to RM3.18 billion, from RM2.77 billion previously.

Its performance was boosted by stronger recovery and a 15.5 per cent lower loan loss placements with banks and other financial institutions.

This was despite a three basis point tightening in net interest margin to 2.74 per cent for the year.

Non-interest income increased 7.3 per cent to RM2.9 billion with overall transactional income surging by 25.9 per cent.

There was also an impact of unrealised loss of RM74.4 million arising from the marking to market of derivatives and securities held for trading.

The group's return on equity (ROE) stood at 18.8 per cent after deferred tax adjustments, while net revenue grew 10 per cent, exceeding its own target of 18 per cent ROE.

Meanwhile, Amirsham said the bank will open at least three more branches overseas — Cambodia, Vietnam and Indonesia — in the current financial year.

Amirsham has confidence in the current financial year's operating environment

In his first public appearance as Maybank CEO, Wahid (right) announces the proposed acquisition of a major stake in Pakistan's MCB Bank yesterday. With him is MCB senior executive vice-president Ali Mazid. Photo by Choo Choy May

MALAYAN Banking Bhd (Maybank) has a US$95 million (RM332.5 million) indirect exposure to US subprime loans.

"(Our exposure) is through the credit-linked notes and some lendings to companies that are involved in mortgage lending in the US.

"The ratings for all the papers that we have are investment- grade," president and chief executive officer Datuk Amirsham A. Aziz said yesterday.

This has a marked-to-market loss of US$10 million (RM35 million). He said the number is higher than reported earlier because the bank has taken a more conservative approach in defining its exposure.

"We do have very sound risk management and stop-loss mechanism in place," he assured. The group's loan base stood at RM140 billion in fiscal 2007.

Maybank ventures into Pakistan

To buy 15% of MCB for RM2.17b; deal includes option for another 5% stak...

by Yong Yen Nie
& Surin Murugiah
...@...

KUALA LUMPUR: As expected, Malayan Banking Bhd announced the proposed acquisition of a 15% stake in Pakistan-based MCB Bank Ltd for RM2.17 billion cash as part of its expansion plan.

The deal, which the bank has been ... also includes an option for Maybank to purchase an additional 5% in the Pakistani bank for RM785.5 million.

The acquisition is the bank's third in two months following its proposed purchase of stakes in Bank International Indonesia and Vietnam's An Binh Bank (ABBank) in its bid to go regional.

Maybank is paying the Nishat Group Rp470 (RM27.08) per share ... price for the 94.24 million shares representing the 15% stake in MCB. As for the additional 5%, Maybank will pay a maximum of Rp510 per share or RM785.5 million.

Based on MCB's audited book value as at Dec 31, 2007, the purchase price represents an implied price-to-book value of 5.13 times. On a price-earnings multiple basis, the transaction is valued at 2007 and ... and 15.2 times respectively.

MCB is Pakistan's fourth ... bank in terms of assets, and ... by market capitalisation with R... billion. Post-acquisition, Mayb... will be MCB's single largest sh... holder and would be allowed ... seats on the board.

Analysts, meanwhile, were ... tions on Maybank's regional exp... sion, citing the purchase price as ...

Maybank Q1 net profit rises 29pc to RM735m

■ By Chong Pooi Koon
pooikoon@nstp.com.my

MALAYAN Banking Bhd's (Maybank) net profit for its first quarter ended September 30 2007 rose 29 per cent to RM735.4 ... strong gro... income an... money to c... debt.

The couns... also plans to ... ors with on... every four s... tidiumni da... and it expe... to be coug... quarter nex...

Maybank said it will declare interim dividends on a quarterly basis, starting from this financial year, and has declared a gross dividend of 17.5 sen per share for the first quarter.

The group's non-interest in... especially, have seen robust growth with profit before tax for this quarter increasing by 29.3 per cent in Singapore dollar terms, from last year," he said.

... dod by 1.6 per cent to RM1.31 billion in the quarter, despite a 33-basis point tightening in net interest margin, which fell to 2.61 per cent.

Customer deposits rose 20.1 per cent in the three-month ...

Mayban Fortis targets tota... premium of RM7.7b by 200...

Under the new brand ...ame, Etiqa will be a single ...aster brand for all conven...onal and takaful businesses ...nder Mayban Fortis.

"Takaful industry in Malaysia, as a fraction of the total insurance industry is still small, about 6 per cent to 7 per cent. So the whole idea is ...row that 6 per cent," he ...id.

...e said the company will ...in growing the industry ...ducating the public on ... benefits of the Islamic ...rance.

...oting that Mayban Fortis ...lready the leader in ...ful business, its chief ...cutive officer Datuk ...muddin Mohd Desa said ... company will continue ...rengthen its position in ...takaful leader.

"We will continue to roll ...new products that will go ... selected marke... ...t that we have ide...

NEW IMAGE: Maybank and Mayban Forti... Holdings chairman Tan S... Mohamed Basi... Ahmad (left) w... Aminuddin (centre) and Megat Zaharuddin at launch of the rebranding of Mayban Fortis ...

China Union... access to May...

■ By Chong Jin Hun
jinhun@nstp.com.my

FROM next month, China UnionPay branded debit and credit card holders will be able to make payments over Malayan Banking Bhd's (Maybank) estimated 45,000 point of sale (POS) merchants in Malay...

Maybank sells RM1.4b NPLs to StanChart and ORIX

by Kevin Tan
FD@bizedge.com

KUALA LUMPUR: Malayan Banking ... Bhd (Maybank) is hiving off RM1.4 ...billion in non-performing consumer ...loans (NPL) to Standard Chartered ...Bank (Hong Kong) Ltd (StanChart) ...and ORIX Leasing Malaysia Bhd ...as part of its asset quality manage...ment.

Maybank Islamic expands forex products

MAYBANK Islamic Bhd has expanded its range of foreign currency offerings by launching two treasury products, namely foreign currency deposit and placement, utilising the Commodity Murabaha principle.

rebranding of ... Fortis, the com... pects to write ab... billion for takaf...

ceeds to all kinds of receivables.

These are the segment of customers with a natural hedge position, who have commitments and liabilities in foreign currency to be settled either in the short-term or on short notice.

Islamic acting CEO, Ibrahim Hassan in a statement yesterday.

The Foreign Currency Commodity Murabaha Placement-i (FCMP-i), meanwhile, is a Shariah-compliant liquidity management product which can be used

...e new products are aimed at ...rporate and businesses with ...evenue inflow denominated in ...reign currency, says Ibrahim

Maybank posts 2Q net profit of RM731m

Worsening US subprime crisis triggers 7.7% fall in net profit

by Ellina Badri
& Yong Yen Nie
FD@bizedge.com

KUALA LUMPUR: Malayan Banking Bhd (Maybank) announced yesterday a 7.7% fall in net profit to RM730.95 million for the second quarter ended Dec 31, 2007 (2QFY08) from RM792.27 million a year earlier after its financial performance was affected by the worsening US subprime crisis.

To sustain its earnings growth ... in quite a challenging environment, and it's getting more difficult. But, we think we will go through it (the challenging times), despite the lack of opportunities."

Maybank had lowered its outstanding provisions for direct and indirect exposures to the US subprime woes to US$35 million from US$90 million initially.

For the 2Q period, revenue, however, rose 15.7% to RM4 billion from RM3.46 billion a year ago while earnings per share was 18.26 sen. The

Maybank gets nod to buy Pakistan firm's stake

MALAYAN Banking Bhd (Maybank) has received Bank Negara Malaysia approval to establish or ac...

Maybank Islamic launches foreign currency deposit products

KUALA LUMPUR: Malayan Banking Bhd (Maybank) has expanded its range of foreign currency offerings by launching two treasury products, foreign currency deposit and placement, utilising the Commodity Murabaha (sale on cost-plus basis) principle.

In a statement yesterday, Maybank said the foreign currency commodity Murabaha Deposit-i (FCMD-i) was a syariah-compliant liquidity management product to facilitate investors to mobilise their surplus funds into the Islamic financial market.

It said the product was aimed at ... customers with a natural hedge position, who have commitments and liabilities in foreign currency to be settled either in the short term or on short notice. Maybank Islamic also welcomes high net worth individuals to participate in the programme," it said.

The minimum deposit in foreign currencies offered is equivalent to RM1 million for a minimum tenure of 14 days. "It will assist the customers to better manage their liquidity from the perspective of maximising profit and minimising opportunity costs," said Maybank Islamic Bhd's acting chief executive officer Ibra... used to facilitate interbank transactions. It said it was a channel through which Maybank Islamic made available foreign currency denominated funds to the players in the Islamic interbank market.

For a start, the FCMD-i and FCMP-i would be offered in four currencies — US dollar, euro, British pound and Australian dollar.

As the contracts employ the Islamic principle of tawarruq, customers will be required to appoint Maybank Islamic as the agent to make sale and purchase transactions of commodities with a third party on their behalf.

... are currently 1.3 billio... China UnionPay cards i... in China.

...ia has some 85,000 POS ...

IRB targets to collect RM80b in taxes this year

THE government is targeting to collect some RM80 billion in gross income tax this year compared with RM74.6 billion last year, the Inland Revenue Board (IRB) said.

Chief executive officer Datuk Hasmah Abdullah said this should be possible given that individuals and companies now have more convenient channels to make their

Maybank plays its role in nurturing talent

FOR Malayan Banking Bhd (Maybank), Malaysia's largest bank, its participation in the Business Times-American Express CEO of the Year Award is part of efforts to nurture and identify new talent or potential leaders in the corporate sector.

"Through the years, the Business Times-American Express CEO of the Year Award has grown in stature to

Business Times
MALAYSIA'S

for private travel or business inves merits."

Amirsham said the American Expre membership reward programme h achieved incomparable success throug the years and built to acknowledge va ued customer relationship and loyalty.

"Such engagement and appreciatio of people partnerships for success truly reflective of world-class leader ship.

"With leadership comes the inheren ability to inspire and motivate teams to achieve. There is also that intrinsic re sponsibility that leaders must be people integrity and high ethical standards."

Amirsham said human capital deve opment, talent identification and lea ership building are key to Malaysia continued economic prosperity, more given increasing competition globally.

"Apart from giving recognition to sig an outstanding leader in Malaysia, it our hope that this award will serve as a incentive to younger leaders to excel i

Maybank goes on global trail

Malayan Banking Bhd's for ay into the global arena started as early as 1960, the year it opened its door for business. It opened a ch in Brunei, then in Hong Kong bruary 1962. This was followed branch in London, in September ame year.

nk had also opened apore in December ime, the island state he Federation of Ma broke away from the

t, 1962 marked the 's "global" trail, and first, if not the first, to venture offshore. has a presence in t spans New York, Kong, Shanghai and ea.

bank when it raised its stake from 60% to 99.86%. This was made possible under the Philippines' new banking law, the General Banking Act.

New logo: Maybank group president/CEO Datuk Amirsham A. Aziz (left) and acting CEO and head of Islamic Banking, Ibrahim Hassan, showing the new logo after the press briefing at Maybank group's headquarters.

Maybank net tops RM3b, sights set on new markets

Higher net interest income, robust overseas operations, insurance and credit

Announcing the results in Kuala Lumpur yesterday, Maybank president and CEO Datuk Amirsham A Aziz said: "The encouraging results we

billion in the previous financial year on the back of a larger loan base despite a three basis point tightening in net interest margin.

Non-interest income (NII) for

after dividends payable increased to 14.51% from 13.34% last year. It also targeted a net NPL of 2.5% in FY08.

Total assets grew 14.4% to RM256.7 billion while depos-

Maybank launches 2,000th ATM

by **Yantoultra Ngui Yichen**
FD@bizedge.com

KUALA LUMPUR: Malayan Banking Bhd launched its 2,000th automated teller machine (ATM) at Caltex Oil Malaysia Ltd's Sunway Kinrara petrol station yesterday, reinforcing its leadership with the largest ATM network in the country.

It also installed a cash deposit machine (CDM) at the petrol station, which was Caltex's 400th petrol station, providing customers access to

Maybank the making of an industry icon

A branch in one of the smaller towns

The Main Office since 1960...92, Jln Bandar, Kuala Lumpur

1962 marked the
's "global" trail, and
first, if not the first,
to venture offshore.
has a presence in
t spans New York,
Kong, Shanghai and
ea.

wth
expansion thus far has
ugh organic growth,
ilippines, where it has
h network.
ired a 60:40 strategic
Philippine National
/bank Philippines. In
he first foreign bank
es to be allowed to
100% stake in a local

When Malayan Banking Bhd (Maybank) opened its doors to the public on Sept 12, 1960, it changed the way banking was done in Malaysia. Banking became truly "local".

In the 1950s, banking was dominated by the British banks, which were mainly concentrated in the major cities and towns. Their banking facilities to rural areas where none exists.

Banking at the doorstep

Even in the most remote corners of the country, a Maybank branch with its tiger logo stands, ready to serve the people, rich or poor.

Be that as it may, Maybank thrived.

The story of Maybank grew from an idea of setting up a truly local bank from a group of people who had the wisdom and vision to know that for the economy to grow, a local bank-

streets not as congested, both with people and traffic.

operation for Maybank.

In financial year ended June 30, 2006, Singapore made a net profit of RM312.8 million, contributing slightly more than half to Maybank's overall earnings from its overseas operations. In FY2005, it made a net profit of RM187.3 million, compared to RM85 million in FY2003.

Not many people are aware that

second largest city, a major port and industrial centre.

Overseas earnings show uptrend

Maybank has done well with its overseas operations and earnings growth has been showing a marked uptrend.

In financial year (FY) 2006 ended June 30, contribution from its over-

nPay secures bank facilities

Tuian Cho
Lee at

echnolog
ensive ra
o enable c
der range
t services
heir everyday

Maybank still keen on raising stake in Vietnam's An Binh

MALAYAN Banking Bhd (Maybank) has no plans to buy another bank this year but remains keen on increasing its stake in Vietnam's An Binh Bank (ABB), its top official said.

President and chief executive officer Datuk Seri Abdul Wahid Omar said Maybank is not deterred by the current difficult circumstances in Vietnam, such as fast-rising inflation and a falling stock market, as it is looking at the country from a long-term perspective.

"I think the longer-term view remains

to invest
(to in-
ers yes-

known as Muslim Commercial Bank (see flashback).

In a press conference to announce the latest deal, newly appointed Maybank president and chief executive officer Datuk Seri Abdul Wahid Omar said the acquisition is expected to be accretive to Maybank's earnings "immediately".

> There have been some discussions in Thailand in the past, and we need to review this. But having done three buys we are not in a hurry. Not in the next few months (at least).

"Extending Maybank's reach in South Asia is in line with our regional aspirations and targets to diversify our earnings outside Malaysia. With the three acquisitions, Maybank's overseas revenue contribution will increase from 19% to 31%," he said.

To a question on how long Maybank was working on the deal, he said that it was not hastily hatched but deliberated over the past 17 months.

He said the acquisition of stakes in the three banks had so far cost Maybank RM11.5 billion, which would be funded by internal and

ahid said Maybank has
on the quantum of capi-
to raise, adding that the
ions to raise the funds in
rid or innovative forms".
Maybank was finalising
optimal capital structure,
which would be announced this June, to raise funds and also restore its capital ratios following the acquisitions.

"We are targeting tier-1 capital ratio of around 7% to 8%, and a total capital adequacy (CAR) ratio of around 11% to 12%, which is comfortably above the minimum regulatory level of 4% and 8% respectively," Abdul Wahid said.

Maybank's tier-1 capital ratio stood at 8.3% as at December 2007, while its CAR is 13.32% as at December 2007.

When asked if the bank was eyeing other regional banks, Abdul Wahid said while Maybank was considering the possibility, its priority would be on funding the three deals it had entered into in the last two months.

"There have been some discussions in Thailand in the past, and we need to review this. But having done three buys we are not in a hurry. Not in the next few months (at least)," he said.

Meanwhile, MCB senior executive vice-president Ali Munir said the bank had no intention of tying up with other financial institutions apart from Maybank.

"Maybank is the only strategic partner going forward," he said.

Ali said MCB would focus on growing its assets and increasing market share, and that it wanted to improve on range of product offerings from the

Higher earnings ahead for Maybank

utperform
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ng Bhd's first quar-
Y6/08) of RM725.4
-on-year) was 5%-
3MB Equities Re-
earnings forecasts
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s in the 1Q earn-
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of equity of 13.2%,
ate of 7.7% in the
base and 6% in the
h phase.
k was still an Out-
ooks and top pick

Malayan Banking

FYE June (RM m)	06/06F	06/07F	06/08F
Net interest income	3,297.5	3,651.9	3,828.6
Non-interest income	2,244.7	2,446.8	2,680.8
Total income	5,542.1	6,098.6	6,509.3
Loan loss provisions	(1,191.4)	(1,021.1)	(1,464.4)
Net profit	2,617.3	3,446.8	3,680.8
EPS (sen)	82.7	88.5	94.6
PER (x)	19.6	13.9	12.9
Gross DPS (sen)	82.0	88.5	94.6
Gross DY (%)	3.3	3.5	3.8
P/BV (x)	2.20	2.10	1.90

Source: Company, CIMB/CIMB-OK estimates, Reuters Estimates

for the sector based on the re-rating catalysts of the Ninth Malaysia Plan (9MP) credit demand to spur loan growth, gains from further non-performing loans (NPL) sale and foreign mergers and acquisitions (M&A) activities.

Other catalysts included a potential revitalisation of its investment banking unit and the surprising one-for-four bonus issue. For leveraged exposure to Maybank, it said investors could look at its call warrants.

Commenting on Maybank's 1Q net earnings, it said the 29.3% one-year increase was underpinned by the 65.3% decline in loan loss provisioning. The lower provisioning was due to net write-back of general provision of RM18.2 million and the 53.4% increase in bad debt recovery.

This was partly offset by a 13% rise in overheads, with the across-the-board increase for all categories, including personnel costs (up 7.4%), establishment costs (up 17.9%), marketing expense (up 28.6%) and administration expenses (up 14.4%).

loan growth.

Besides, non-interest income advanced by 13.3%, fuelled by 19.8% expansion in fee income and 29.7% jump in foreign exchange profit but Islamic banking income shrank by 15.1%.

CIMB Research said in a conference call last Thursday that there were no major surprises except that the management briefly mentioned that the group could be targeting a higher return of equity (ROE) of 20% in FY09, compared with 18% guided previously.

"We view this positively as it shows that the management could raise the bar for its financial performance, especially when other banks are guiding for stronger ROEs, in the range of 18-20%, for the next three to four years.

"Assuming that the 20% ROE is achieved, Maybank would turn in a net profit of RM4.13 billion (versus our projected RM3.45 billion) for FY09 and the target price would be raised to RM18.30 (versus RM16.80 currently)," it said.

It added alternatively, Maybank would pay out higher dividend to achieve the 20% ROE in FY09. The management indicated that Maybank would pay out the excess capital by early 2009 if the group has not identified any takeover target by then.

On the US subprime mortgages, it said the management reiterated that Maybank did not have any direct exposure to those mortgages. Furthermore, the group's indirect subprime exposure has been reduced from US$80 million (RM304.2 million) to US$80 million while the losses from the exposure was limited — about US$5.3 million to equity and US$1.8 million to the profit and loss statement.

"Maybank plans to undertake another NPL sale by end-Dec 07.

Maybank expands MoneyGram services

by **Angela Sargunan**
newsdesk@thesundaily.com

MAYBANK has expanded its MoneyGram Services from 58 branches to all its 400 plus May

bank branches nationwide offering greater convenience to those who wish to remit money to over 170 countries and MoneyGram's 125,000 global money transfer locations.

Nick Cunnew recently.

Reliability and speedy transaction processing are the top qualities of this important service for Malaysians here and abroad. Funds can be

system as transactions are done electronically providing a quick, reliable and safe way of remitting money."

Ashraf said this additional service expands the range of remittance services customers now enjoy from self service online remittances via *Maybank2u.com* and the basic remittances available at the counter.

"The service offers immense benefit to businessmen, parents, students or overseas workers or businesses who require a fast and reliable money transfer to anyone overseas, particularly those who require cash in an emergency and those who do not have a bank account," said Ashraf.

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CORPORATE CALENDAR

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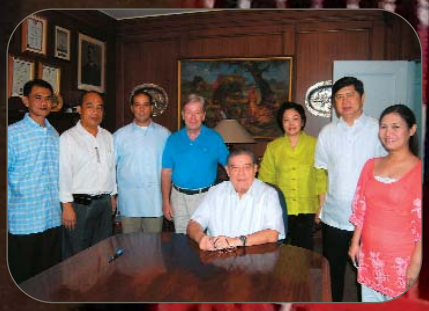
02



03

JULY 2007

- The Chief Executive Officer of Takaful Nasional *(now known as Etiqa Takaful Berhad)*, Encik Mohd Tarmidzi Ahmad Nordin, is appointed as Chairman Malaysian Takaful Association (MTA) at the 5th AGM for the period 2007 to 2009.
- Maybank Philippines launched Maybank Business Solutions, a suite of cash management services comprising Payroll Master, Check Master and Check Cutting.
- 01 Maybank Singapore launched an exclusive Porsche reward programme for its Platinum Card customers.
- 02 Maybank increased the deposit size for Asia Pac Hybrid Capital Protected from RM200 million to RM300 million following strong investor demand. The structured deposit product was fully subscribed within 24 hours of the fund launch.
- 03 Maybank Philippines launched ROAR (Ready & On-time Accounts Receivable) Financing, a factoring facility whereby the Bank purchases the trade invoices or accounts receivables of supplier-clients from their top-tier corporate buyers. The total number of accredited buyers is 25, with approved Corporate Buyers Limit (CBL) aggregating to Php2.69 billion.
- Maybank contributed computers and printers for the library at Rumah Kanak-Kanak Kota Kinabalu, Sabah as well as sponsored computer courses for the children at the home. The home is one of the seven adopted homes under the Maybank Cahaya Kasih programme with the Ministry of Women, Family and Community Development.

AUGUST 2007

- Maybank Singapore was appointed as one of the Mandated Lead Arrangers in a USD1.16 billion Syndicated Dual Currency Term and Revolving Facilities for Asia Mobile Holdings Pte Ltd.
- Maybank Singapore was the Lead Arranger in a SGD125 million Syndicated Loan for Wing Tak Holdings Limited.
- Maybank Group announced a pre-tax profit of RM4.36 billion for the financial year ended 30 June 2007, 9.4% higher compared to the previous corresponding period. Net profit for the year rose 14.6% to RM3.18 billion from RM2.77 billion in the previous corresponding period.

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- Takaful Nasional *(now known as Etiqa Takaful Berhad)* was the main sponsor for the International Convention on Takaful & Retakaful 2007 (ICTR) focusing on the Takaful issues from shariah to regulatory and business development. Mayban Fortis played host to more than 30 international visitors who were in Kuala Lumpur to attend the ICTR.
- Maybank was co-sponsor of a luncheon talk hosted by the Malaysian Industrial Development Authority (MIDA) in conjunction with its Trade & Investment Seminar in Singapore. The event was hosted by the Minister of International Trade & Industry Malaysia.

SEPTEMBER 2007

- 04 Maybank and Microsoft Malaysia signed an Enterprise Subscription Agreement that further enhanced cost efficiency in the adoption of a common software toolset for Maybank's desktop applications as well as to promote greater communication among employees and customers.
- 05 Maybank launched its landmark 2,000th automated teller machine (ATM) at Caltex's Sunway Kinrara petrol station, reinforcing Maybank's leadership in having the largest ATM network in Malaysia.
- Maybank launched three new Islamic banking products in conjunction with its Riang Ria Raya campaign. The three Islamic banking products are *net Current Account-i*, the first Islamic Internet-based current account in Malaysia, as well as *HomeEquity-i* and *ShophouseEquity-I* which are Islamic financing products for residential and business premises respectively.
- Mayban Fortis was the title sponsor of the World Cup Golf Qualifier in Kuala Lumpur. The event, Fortis International Challenge, was held at Kota Permai Golf & Country Club.
- 06 Maybank Singapore introduced the Maybank Family and Friends Platinum Mastercard. This is the first card in Singapore to offer a 5% cash rebate at a wider range of merchants in Singapore and Malaysia, catering to families and their friends.
- Maybank Singapore was one of the Lead Underwriters for Genting International plc's SGD2.2 billion Rights Issue.

OCTOBER 2007

- 07 Maybank in collaboration with Islamic Relief Malaysia, an international Islamic NGO, donated food packets to more than 1,000 hardcore poor families in remote villages in Johor, Perak and Kedah in conjunction with the Hari Raya and Deepavali Celebrations. The project is aimed at providing food to needy communities to celebrate the festival season.
- 08 Maybank Philippines and Maybank Singapore participated in a USD1.2 billion Loan Syndication for San Miguel Corporation (SMC), South East Asia's largest publicly-listed food, beverage and packing company.

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- Maybank launched its first structured Islamic product, STRIDE-i, which will invest in two underlying commodities, copper and wheat. Potential upside earnings may go up to 39.8% if held until maturity. STRIDE-i is structured as a four-year tenure Islamic deposit product with 100% capital protection on the principal investment. It also guarantees an annual payment of 2.45% over the tenure period or a minimum total return of 9.8% if held to maturity.

NOVEMBER 2007

- 09 Etiqa, the new brand name for the insurance business of the Maybank Group was officially launched by Maybank Chairman, Tan Sri Mohamed Basir Ahmad.
- Maybank announced a pre-tax profit of RM1.01 billion for the quarter ended 30 September 2007, 16.5% higher than the RM871 million recorded in the corresponding period last year. Net profit for the quarter rose 29.3% to RM735.4 million compared with RM568.7 million last year.
- 10 At the 4th KLIFF Islamic Finance Awards 2007, Mayban Takaful Berhad *(now known as Etiqa Takaful Berhad)* won the award in the Most Innovative Products – Takaful category. This accolade honours and recognises efforts of Mayban Takaful Berhad which made significant contribution to the development of the Takaful industry.
- Maybank introduced online trade finance services via Maybank2e.net to provide greater convenience as well as increase productivity and efficiency to businesses for their trade financing needs. The online service will enable customers to utilise and monitor their trade financing activities and status online anywhere, anytime. The service also caters to both conventional and Islamic trade financing needs.
- Maybank organised joint Hari Raya and Deepavali celebrations with residents of the seven adopted homes nationwide under the Cahaya Kasih programme.

DECEMBER 2007

- Maybank and American Express signed a Memorandum-of-Understanding with Nestlé (Malaysia) Berhad, Malaysia's leading food company to implement a unique end-to-end solution that will optimise Nestlé's collection and credit management process through a Distribution Card programme. Distributors enrolled in the programme will enjoy convenient and easy access in managing account receivables and payments as well as improved operational efficiency and cost savings.
- Maybank Singapore launched its "Youth Bank" to drive youth volunterism in Singapore with a SGD500,000 social investment in the Youth Bank.
- 11 Maybank in collaboration with Utusan Malaysia initiated the Tabung Gempa Nusantara Utusan-Maybank fund to assist those affected by the earthquake in Sumatera. Maybank's role in the campaign was to utilise its delivery channels namely its branches, ATMs and internet banking portal for customers and the public to donate to the fund. The fund collected over RM1 million.

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- Maybank in a strategic partnership with Gloria Jeans Coffee officially launched its Bandar Utama branch, with a new service concept offering retail shoppers the comfort and convenience of a full fledged bank branch built within a café environment. The café bank branch marks a new milestone in Maybank's retail banking strategy to provide greater banking convenience to a diverse range of customers including mass affluent customers.
- Maybank announced the expansion of its digital advertising initiatives across Microsoft MSN and Windows Live properties. This expanded alliance with Microsoft enabled Maybank to more powerfully engage with consumers across multiple digital touch points and reach its target customers.

JANUARY 2008

- Maybank's Islamic banking subsidiary, Maybank Islamic Berhad commenced operations effective 1 January 2008. Maybank is the largest Islamic financial services provider in the Asia Pacific region and is set to further reinforce its leadership with the launch of this Islamic subsidiary.
- Maybank announced that it had entered into a conditional Sale and Purchase Agreement (SPA) with Standard Chartered Bank (Hong Kong) Limited Alternative Investments and ORIX Leasing Malaysia Berhad for the disposal of a portfolio of long-standing secured consumer non-performing loans (NPLs). The portfolio comprises 8,375 long outstanding consumer loans with a total face value of about RM1.4 billion (USD422 million).
- Etiqa donated RM160,000 to Yayasan Kebajikan Suria in Tuaran to build a surau for more than 100 children at the welfare institution. The program was graced by Dato' Seri Dr Hj Harussani Hj Zakaria, Mufti Perak and Chairman of Etiqa Takaful Shariah's committee.
- Etiqa participated in the Malaysia Services Exhibition organised by MATRADE which was held in Sharjah, UAE. The exhibition was to showcase some of the leading and renowned service providers in Malaysia.
- Maybank Philippines launched its interbank government securities trading on a pilot scheme, with the sale of treasury bonds (T-bond) and treasury bills (FXTNs) initially offered in nine branches, namely Cebu, Greenhills, Iloilo, Caloocan, Alabang, Binondo, Ortigas, San Fernando and LTC. GS Securities Trading is a safe and secure investment instrument for government issued bills and bonds.
- Maybank disbursed RM200,000 in aid of flood victims in Pahang and Kelantan, which included food items, toiletries, school uniforms, shoes, socks, bags and cash. Maybank employees under the Cahaya Kasih Programme, together with employees of New Straits Times assisted in a number of 'gotong-royong' programmes to help in the clean up of affected areas.
- Maybank Islamic launched the country's first Islamic On-shore Foreign Currency Financing or OFCF-i. It also introduced its Islamic Foreign Currency Account or FCA-i offering four major currencies. OFCF-i is a Shariah-compliant short term trade financing facility in foreign currency to finance import and export in foreign currencies. OFCF-i adopts the Shariah principle of Murabahah for imports and Bai-al-Dayn for exports.

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- 12 Etiqa, together with the Kuala Lumpur Health Department, launched its Healthy Lifestyle Carnival for staff. Besides offering various check-ups and consultations, 11 booths were set up within the office building to create awareness and educate the staff on healthy lifestyles. There were also cooking demonstrations, aerobics classes and a blood donation drive.

FEBRUARY 2008

- Maybank Philippines successfully sold 29 selected NPL accounts to Philippine Investment One (SPV-AMC) Inc.
- 13 Etiqa was one of the main sponsors for the Sarawak Press Run 2008 held at Padang Merdeka, Kuching, Sarawak. More than 1,500 participants signed up for the event. The Press Run was the first for the State where six newspapers combined their strengths and efforts to collect funds for schools there.
- Maybank Singapore announced its 1.68% per annum Home Loan package, which is the lowest 3-year fixed rate home loan in the republic. This package is 40% lower than other similar packages in the market.
- The Maybank Group announced that net profit for the half-year ended 31 December 2007 rose 7.7% to RM1.47 billion from RM1.36 billion in the previous corresponding period. Gross profit for the period grew 2.1% to RM2.05 billion from RM2 billion in the previous corresponding period.
- 14 Etiqa donated more than RM130,000 to Tahfiz Darul Furqan to construct an additional block of six classrooms at the institution. Located in Sentul, the institution houses more than 200 students including orphans and less privileged children and provides education for 500 students.
- Maybank Group announced the retirement of its President and Chief Executive Officer, Datuk Amirsham A Aziz, effective 30 June 2008. The Group also announced the appointment of Dato' Sri Abdul Wahid Omar as the new President and Chief Executive Officer.
- Maybank Islamic expanded its range of foreign currency offerings by launching two treasury products, Foreign Currency Commodity Murabaha Deposit-i and Foreign Currency Commodity Murabaha Placement-i.

MARCH 2008

- Maybank opened its Bukit Tinggi branch, at the AEON Bukit Tinggi Shopping Centre and simultaneously launched the country's first Treatpoints instant redemption facility for Jusco shopping vouchers at the branch. The shopping centre houses the largest Jusco store in South East Asia. Maybank AEON branch is Maybank's fifth branch located in a shopping complex offering a complete range of services and facilities to cater to customers of the shopping centre as well as the neighbourhood.
- 15 Maybank launched Precious Asian, a capital guaranteed investment-linked plan that offers an attractive potential return of up to 27.2% with full capital protection at maturity. Precious Asian has a fund size of RM350 million and its investments will be linked to a basket two Asian Equity Indices, the Hang Seng Index and the MSCI Singapore Cash Index against the Standard & Poor's 500 Index (S&P 500).

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- 16 Maybank continued its title sponsorship of the Maybank Malaysian Golf Open for the third year. The four-day tournament was held at Kota Permai Golf & Country Club. A total of 156 players, including some of the world's best golfers from the European and Asian Tours competed at this prestigious event.
- 17 Maybank, in partnership with Visa International launched the Maybankard Visa Debit card, Maybank's first dual purpose Bankcard which offers domestic and international access to a cardholder's bank account.
- Maybank opened a second branch in Cambodia as part of its strategy to grow its international network as well as to make inroads into the domestic markets where it is present. The branch, located in Teukthla, Phnom Penh is in addition to the main branch in Phnom Penh which was opened in December 1993.
- Maybank signed an agreement with An Binh Commercial Joint Stock Bank for the acquisition of 15% of the charter capital of the bank for a cash consideration of approximately RM430 million. Founded in 1993, the bank is among the fastest growing joint stock commercial banks in Vietnam with assets growing from USD42 million in December 2005 to more than USD700 million as at 31 December 2007.
- Etiqa was one of the main sponsors for World Amateur Inter Team Golf (WAITGC) Championship 2008 held in Malaysia. WAITGC is an amateur international golf championship organised annually by Tourism Malaysia.
- 18 Maybank and American Express launched the American Express Platinum Credit Card, the flagship credit card of American Express. This is also the first time that the platinum American Express 'Centurion' line of credit cards is being introduced in Malaysia. Maybank is the sole issuer of American Express Centurion Cards and merchant acquiring businesses in Malaysia.
- Maybank entered into a conditional sale and purchase agreement (SPA) to acquire up to 100% of Sorak Financial Holdings Pte Ltd for a cash consideration of approximately USD1.5 billion (RM4.8 billion) paving the way for Malaysia's largest financial services group to be the controlling shareholder of Bank Internasional Indonesia (BII).

APRIL 2008

- 19 Maybank and Pizza Hut launched Malaysia's first online payment facility for pizza delivery which enables customers for the first time to pay for their online orders to Pizza Hut with either their credit card or Maybank2u.com direct debit. Over 100 Pizza Hut restaurants offering Online Delivery Service will benefit from the online payment facility.
- Maybank Singapore announced that it would award five times the loyalty points for donations via its credit cards to the Red Cross to aid victims of the cyclone in Myanmar and earthquake in China.

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- Etiqa Takaful signed an agreement with Koperasi NUBE to promote Takaful products to its 28,000 members nationwide.
- Maybank launched the Maybank Alpha Centurion Structured Deposit (MAC), the first by a local financial institution to offer investors an opportunity to invest via the Alpha Centurion European Index which comprises 100 largest global companies listed on major European exchanges. MAC is the latest in Maybank's series of structured deposits that provide 100% capital protection on principal investment at maturity.
- Maybank participated in the annual Minggu Saham Amanah Malaysia 2008 (MSAM) held at Melaka International Trade Centre.
- Etiqa contributed RM50,000-00 from Etiqa Takaful's Wang Amal Jariah for the furnishing of utility rooms and dormitories at the "Home of Hope" in Kota Kemuning, Shah Alam. The project by Pertubuhan Al-Khaadem is a sanctuary to a community of 250 orphans, senior citizens, single mothers and abused women of all races.
- Maybank Singapore was one of the Mandated Lead Arrangers for Resorts World at Sentosa Pte Ltd.'s SGD4 billion Senior Secured Credit Facilities.

MAY 2008

- Dato' Sri Abdul Wahid Omar officially joined Maybank as President and Chief Executive Officer.
- Maybank Bago Branch, in Negros Occidental, Philippines was cited as the Top Onsite ATM by MegaLink for its excellent performance in 2007 having the highest number of transactions among all MegaLink-member banks. MegaLink is the first operational shared ATM network in the Philippines.
- Maybank and Nishat Group of Pakistan announced the signing of agreements, whereby Maybank would acquire up to 20% of the ordinary shares in MCB Bank Limited from Nishat Group. The acquisition is in line with Maybank's strategy to build its presence in key growth markets across the region. It also paves the way for MCB, one of Pakistan's premier financial services groups, to engage Maybank as its exclusive foreign commercial bank strategic partner.
- 20 Maybank and the Islamic Corporation for the Development of the Private Sector (ICD) signed a memorandum of understanding to jointly explore the feasibility of establishing an international takaful holding company with the vision to create a global leader in the takaful business. ICD is the commercial arm of the Islamic Development Bank. The strategic partnership proposes to leverage on Maybank Group's expertise in the takaful business as well as ICD's comprehensive knowledge of the Islamic markets in its member countries.
- 21 Maybank signed a Memorandum of Agreement with three zakat bodies namely Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan, Lembaga Zakat Selangor and Pusat Zakat Negeri Sembilan for online zakat payment service through Maybank's integrated web-enabled cash management portal, Maybank2e.net.
- Maybank Philippines launched its Personal Loans facility for Philippine Veterans Affairs Office.

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- The Maybank Group announced a pre-tax profit of RM3.07 billion for the nine months ended 31 March 2008, an increase of 1.2% compared with the RM3.03 billion recorded in the previous corresponding period. Group profit after tax for the nine months period was 4.7% higher at RM2.23 billion compared with RM2.12 billion previously.
- Maybank held its Extraordinary General Meeting in Kuala Lumpur in relation to the acquisition of Sorak Financial Holdings Ltd/Bank Internasional Indonesia.
- 22 Maybank Philippines and FirstGen Corporation entered into a Bilateral Loan Facility Agreement amounting to US$100M. FirstGen is the largest vertically-integrated power generation company in the Philippines.
- 23 Maybank Philippines opened its latest model branch along Rufino Street, Makati Central Business District, patterned after recent Maybank outlets in Malaysia and Singapore. Envisioned to be a one-stop service hub targeting Makati's prime businesses and high-networth individuals, the formal inauguration of this branch was graced by Maybank Chairman Tan Sri Mohamed Basir Ahmad, Ambassador of Malaysia to the Philippines, Dato' Ahmad Rasidi Hazizi and Makati City Councilor Jejomar Erwin Binay, Jr.

JUNE 2008

- Maybank Islamic launched the Short-term Revolving Credit-i (STRC-i), an Islamic short-term revolving credit facility for corporate and business customers. STRC-i is a Shariah-compliant financing facility providing a cost-effective option for customers with definite and specific short-term cashflow requirement such as for working capital, bridging financing or project financing.
- 24 Maybank and the Inland Revenue Board officially launched a new payment service which enables customers to conveniently pay their income tax via any of the following Maybank channels: ATMs, Kawanku Phone Banking, Maybank2u.com and over the counter at any Maybank branch nationwide. Maybank is Malaysia's first financial institution to offer the largest number of channels for income tax payment.
- Etiqa Takaful hosted the 1st ICMIF (International Cooperative and Mutual Insurance Federation) Takaful Network Meeting of 2008. The two-day event held in Kuala Lumpur, had about 50 ICMIF members from all over the world exchanging ideas and sharing experiences.
- Etiqa Takaful launched the Takaful Medic-Save Rider, a traditional family takaful medical plan. It provides coverage of 90% of medical and hospitalisation bills, and comes with a medical card for hassle-free admission to panel hospitals.

To over 8 million customers and partners around the world : Thank you. For trusting us with your dreams, allowing us to be partners in your business and for helping us become Malaysia's largest financial services group.

2008

Alpha Southeast Asia
- Best Trade Finance in Malaysia
- Best Cash Management in Malaysia
- Best Financial Supply Chain Bank in Malaysia

International Takaful Award
- Best Takaful Marketing Award (Etiqa)

Asia Pacific Brands Foundation, The BrandLaureate Awards
- Best Brands – Banking B2B (Maybank2e.net)
- Best Brands – Banking Online (Maybank2u.com)

CGC Top SMI Supporter Award

Trade Finance Magazine
- Best Local Trade Bank in Malaysia

The Asset Triple A Transactional Banking Awards
- Best Cash Management Bank for Malaysia
- Best Trade Finance Bank for Malaysia

Asian Banker Excellence in Retail Financial Services Award
- Excellence in Automobile Lending in the Asia Pacific, Gulf Region and Central Asia

Asiamoney
- Best Domestic Provider for Structured Currency Products, Malaysia
- Best Local Currency Cash Management Services, Malaysian Ringgit
- Best Local Cash Management Bank, Malaysia as voted by small and medium corporates

Reader's Digest Trusted Brands
- Bank – Gold Award
- Credit Card Issuing Bank – Gold Award

Global Finance
- Best Trade Finance Bank in Malaysia
- Best Foreign Exchange Bank
- Best Sub-Custodian Bank in Malaysia Award

2008 Asiamoney Polls

- Best Local Currency Cash Management Services

Finance Asia Country Awards for Achievement

- Best Cash Management Bank
- Best Trade Finance Bank
- Best Foreign Exchange Bank

Ministry of Manpower, Singapore

- Work-Life Excellence Award to Maybank Singapore

Global Finance Magazine

- Best Sub-Custodian Bank 2008 for Malaysia

2007

Asia Pacific Brands Foundation
- BrandLaureate SMEs Best Supporters Award

Association of Accredited Advertising Agents Malaysia/Interbrand
- Malaysia's Most Valuable Brands (Top placing)

Prime Minister's CSR Awards
- Outstanding Work in Best Workplace Practices (Honourable Mention)

Asiamoney Cash Management Poll 2007
- Best Local Currency Cash Management Services (By Currency) – Malaysia
- Best Local Cash Management Bank In Malaysia as voted by small and medium corporates

Malaysian Business
- Corporate Governance Award. CSR Award Winner
- Corporate Governance Award. Merit Award

The Asset Triple A Award
- Best Cash Management Bank in Malaysia

The Asian Banker
- The Leadership Achievement Award for the Financial Services Industry in Malaysia 2006 – Datuk Amirsham A Aziz

Global Finance
- Best Trade Finance in Malaysia

Reader's Digest
- Trusted Brand Gold Award

Best @ Show Awards
- Malaysian e-Banking Awards '07 (Maybank2u.com)

KLIFF Islamic Finance Awards
- Most Innovative Products – Takaful Category (Etiqa)

Pacific Rim Bankers Association
- Pacific Rim Bankers Program Most Distinguished Leadership Award to Maybank President and CEO, Datuk Amirsham A Aziz

Alpha Southeast Asia
- Best Trade Finance Bank in Malaysia

National Council for Occupational Safety and Health
- Finance, Real Estate & Insurance Sector
- OSH Excellence Award

Global Custodian Magazine
- "Top Rated" Cross Border and "Commended" Domestic under the Emerging Markets Agent Bank Review

CGC Top SMI Supporter Award

2006

Dewan Bahasa dan Pustaka – Anugerah Citra Laporan Tahunan 2006

Corporate Governance Asia Annual Recognition Award 2006

Global Finance Award
- Best Foreign Exchange Bank in Malaysia

The Asset Asian Award
- Best Cash Management Bank

Sheikh Mohammed bin Rashid Al Maktoum Islamic Finance Award
- Global Continuing Contribution to Islamic Retail Development
- Regional Continuing Contribution to Islamic Finance R&D (Asia) – Aseambankers

Reader's Digest
- Trusted Brand Gold Award

Malaysian Business Awards
- Best Corporate Social Responsibility Award
- Best Corporate Governance Award (Second placing)

CGC Top SMI Supporter Award

Euromoney Award for Excellence
- Best M&A House in Malaysia (Aseambankers)

RAM League Award
- Islamic – 1st Place (Issue Value) – 3rd (Number of Deals)
- 3rd Place (Number of Deals) & 3rd Place (Issue Value)

Malaysian Institute of Human Resource Management & Kelly Services Malaysia
- Outstanding HR Achievement Award

IR Magazine
- Best IR in Singapore market by a Malaysian company

2005

Asiamoney Award
- Best Cash Management – Local
- Best Local Foreign Exchange Provider
- 15th Anniversary Poll of Polls (past 15 years):
  - Best Local Cash Management
  - Best Local Forex
  - Best Trade Finance (Overall)
- Trade Finance for Best Overall Domestic Services
- Malaysian Deal of the Year (Aseambankers)
- Regional Deals of the Year – Local Currency
- Best Domestic Commercial Bank

Pusat Zakat Selangor
- Best Collection Agent Bank (highest percentage of zakat collection via internet banking)

Asean Communications Expo & Forum (ACM) 2005
- Best E-Banking Service

Global Finance Award
- Best Emerging Market Bank – Malaysia

Ministry of International Trade and Industry
- Quality Management Excellence Award – National Award for Management Accounting (NAfMA) Best Practice Excellence Award

IBM
- "Innovation That Matters" Award to Financial Services Group

Malaysian Media Awards – Best Use of Newspaper Category
- Gold Award for Maybankard Travel Treats Campaign

MasterCard Asia Pacific Marketing Leadership Awards
- Best Overall Marketing Program

Dewan Bahasa dan Pustaka (DBP) Anugerah Citra Wangsa
- Best use of Bahasa Malaysia in a TV commercial

CGC Top SMI Supporter Award

2004

Euromoney Islamic Finance Award
- Best Provider of Islamic Financial Services in Asia
- Best Islamic Wholesale Financial Services Provider (Aseambankers)

ICT Week 2004
- Most User-friendly e-Commerce Portal

Pusat Zakat Selangor
- Best Collection Agent Bank

The Banker Award
- Bank of the Year in Malaysia

Asiamoney Award
- Best Bank in Cash Management in Malaysia

Singapore Health Promotion Board – Singapore H.E.A.L.T.H. Awards
- Silver Award in recognition of organisations with excellent workplace health promotion programmes

KLSE Corporate Sectoral Award in the Finance sector of the Main Board

Malaysian Business
- Corporate Governance Award (Merit)

MasterCard Asia Pacific Market Leadership Awards
- GOLD – Best MasterCard Electronic Card (Maybank Money Gift Card, Singapore)
- PLATINUM – Best Commercial Card (Maybank Business Card, Singapore)

CGC Top SMI Supporter Award

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Mohamed Basir bin Ahmad
P.S.M., J.S.M., D.P.C.M.
Non-Independent Non-Executive Chairman

Dato' Sri Abdul Wahid bin Omar
S.S.A.P., D.S.A.P.
Non-Independent Executive Director (President & CEO)

Haji Mohd Hashir bin Haji Abdullah
J.M.N., S.M.S., P.P.T.
Independent Non-Executive Director

Teh Soon Poh
Independent Non-Executive Director

Datuk Abdul Rahman bin Mohd Ramli
P.J.N.
Non-Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
D.P.C.M., P.J.N., P.S.M.
Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad
P.J.N., J.S.M., D.D.M.P., P.M.P, K.M.N.
Non-Independent Non-Executive Director

Tan Sri Dato' Sri Chua Hock Chin
P.S.M., S.S.A.P., D.S.A.P., D.I.M.P.
Independent Non-Executive Director

Datuk Syed Tamim Ansari bin Syed Mohamed
P.J.N.
Independent Non-Executive Director

Dato' Aminuddin bin Md Desa
D.S.D.K.
Non-Independent Executive Director (Chief Financial Officer)

COMPANY SECRETARY

Mohd Nazlan Mohd Ghazali
(LS0008977)
General Counsel & Company Secretary

REGISTERED OFFICE

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone : (6)03-2070 8833
Telex : MA 30438
Facsimile : (6)03-2070 8305 (Investor Relations)
: (6)03-2711 3421 (Customer Feedback Management)
: (6)03-2715 0871 (Maybank Group Customer Care)
: (6)03-2031 0071 (Secretarial Services)
Cable : MAYBANK
SWIFT : MBBEMYKLA
Website : http://www.maybank2u.com
E-Mail : publicaffairs@maybank.com.my

REGISTRAR

Malayan Banking Berhad
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
(Listed since 17 February 1962)

EXTERNAL AUDITORS

Messrs. Ernst & Young (AF: 0039)
Chartered Accountants

GROUP ORGANISATION STRUCTURE

GROUP CORPORATE STRUCTURE
AS AT 30 JUNE 2008

BANKING

- 100% Maybank Islamic Berhad *(Banking)*
- 97% P.T. Bank Maybank Indocorp *(Banking)*
- 100% Maybank Philippines Inc. *(Banking)*
- 100% Maybank PNG Limited *(Banking)*
- 100% Maybank International (L) Ltd *(Offshore Banking)*
- 100% Mayban International Trust (Labuan) Berhad *(Investment Holding)*
  - 15% MCB Bank Ltd *(Banking)*

INVESTMENT BANKING

- 100% Aseambankers Malaysia Berhad *(Investment Banking)*
- 100% Maysec Sdn Bhd *(Investment Holding)*
- 100% Mayban Securities (Jersey) Ltd. *(Investment Holding)*

NOMINEE / TRUSTEE

- 100% Mayban Nominees (Tempatan) Sdn Bhd *(Nominee Services)*
- 100% Mayban Nominees (Asing) Sdn Bhd *(Nominee Services)*
- 100% Mayban Nominees (Singapore) Pte Ltd *(Nominee Services)*
- 100% Mayban Nominees (Hong Kong) Ltd *(Nominee Services)*
- 100% KBB Nominees (Tempatan) Sdn Bhd *(Nominee Services)*
- 100% Mayban (Nominees) Sendirian Berhad *(Nominee Services)*
- 40% Mayban Trustees Berhad *(Trustee Services)* (20% from Mayban (Nominees) Sendirian Berhad; 20%)
- 100% Mayban Indonesia Bhd *(Dormant)* (20%)
- 100% Mayban International Trust (Labuan) Ltd *(Trustee Services)*
- 100% Mayfin Nominees (Tempatan) Sdn Bhd *(Nominee Services)*
- 100% Aseam Malaysia Nominees (Tempatan) Sdn Bhd *(Nominee Services)*
- 100% Aseam Malaysia Nominees (Asing) Sdn Bhd *(Nominee Services)*
- 100% Mayban Securities Nominees (Tempatan) Sdn Bhd *(Nominee Services)*
- 100% Mayban Securities Nominees (Asing) Sdn Bhd *(Nominee Services)*

Note:
- *Companies that are Dormant, Under Member's Voluntary Liquidation, or have Ceased Operations are not listed in the Group Corporate Structure.*
- *The complete list of Maybank subsidiaries is on pages 318 to 323 of this Annual Report.*

ASSET MANAGEMENT
33%
Mayban Agro Fund Sdn Bhd
(Fund Specific Purpose Vehicle)
33%
Mayban Ventures Capital Sdn Bhd
(Venture Capital)
30%
70%
Mayban Ventures Sdn Bhd
(Venture Capital)
51%
Mayban-JAIC Capital Management Sdn Bhd
(Investment Advisory & Administration Services)
30%
Pelaburan Hartanah Nasional Bhd
(Property Trust)
Mayban Investment Management Sdn Bhd
(Fund Management)
100%
INSURANCE
69.05%
Mayban Fortis Holdings Berhad
(Investment Holding)
95%
Mayban General Assurance Berhad
(General Insurance)
92%
Mayban Life Assurance Bhd
(Life Insurance)
100%
Etiqa Life International (Labuan) Ltd
Formerly known as Mayban Life International (Labuan) Limited
(Offshore Investment-linked Insurance)
100%
Etiqa Insurance Berhad
Formerly known as Malaysia National Insurance Bhd
(General Insurance)
100%
Double Care Sdn Bhd
(Investment Holding)
100%
Etiqa Takaful Berhad
Formerly known as Takaful Nasional Berhad
(Family & General Takaful Insurance)
100%
Etiqa Overseas Investment Pte Ltd
Formerly known as TN Overseas Investment Pte Ltd
(Investment Holding)
25%
Pak-Kuwait Takaful Company Ltd
(Investment Holding)
100%
Etiqa Offshore Insurance (L) Ltd
Formerly known as MNI Offshore Insurance (L) Ltd
(Offshore General Reinsurance)
FINANCE
100%
Mayban Factoring Bhd
(Factoring)
100%
Aseamlease Bhd
(Leasing)
35%
Uzbek Leasing International A. O.
(Leasing)
100%
Aseam Credit Sdn Bhd
(Hire Purchase)
100%
Mayban Allied Credit & Leasing Sdn Bhd
(Financing)
OTHERS
100%
MNI Holdings Berhad
(Investment Holding)
100%
Mayban Allied Berhad
(Investment Holding)
100%
Mayban PB Holdings Sdn Bhd
(Property Investment)
33%
Philmay Holdings Inc
(Investment Holding)
60%
40%
Philmay Property, Inc.
(Property Leasing & Trading)
100%
Mayban Property (PNG) Limited
(Property Investment)
100%
Cekap Mentari Berhad
Formerly known as Cekap Mentari Sdn Bhd
(Securities Issuer)
100%
Mayban Offshore Corporate Services (Labuan) Sdn. Bhd.
(Investment Holding)

ENHANCING VALUE TO SHAREHOLDERS

Maybank is committed to enhancing value to its providers of capital. This commitment means we are focused on improving profit attributable to shareholders, managing capital more effectively and enhancing shareholder payout.

As the country's largest Bank and the flagship of the domestic banking industry with ambitions to expand further into the region, Maybank has always been committed to creating better value to shareholders. Maybank has been recognised in the industry as one of the best issuers of dividends to shareholders. This benefits the funds managed by Maybank's substantial shareholder, Permodalan Nasional Berhad, and in turn, small investors.

DIVIDENDS

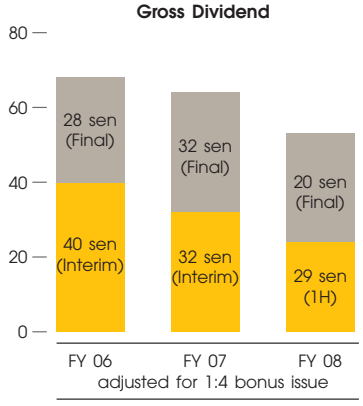
In FY2008, we issued total dividends of 49 sen per share to shareholders, consisting of 17.5 sen (14 sen after adjusting for the one-for-four bonus issue) dividend in the first quarter, 15 sen dividend in the second quarter and 20 sen in the final quarter. This is a dividend payout ratio of 60.4% which is in line with our long term dividend payout ratio of 60%.

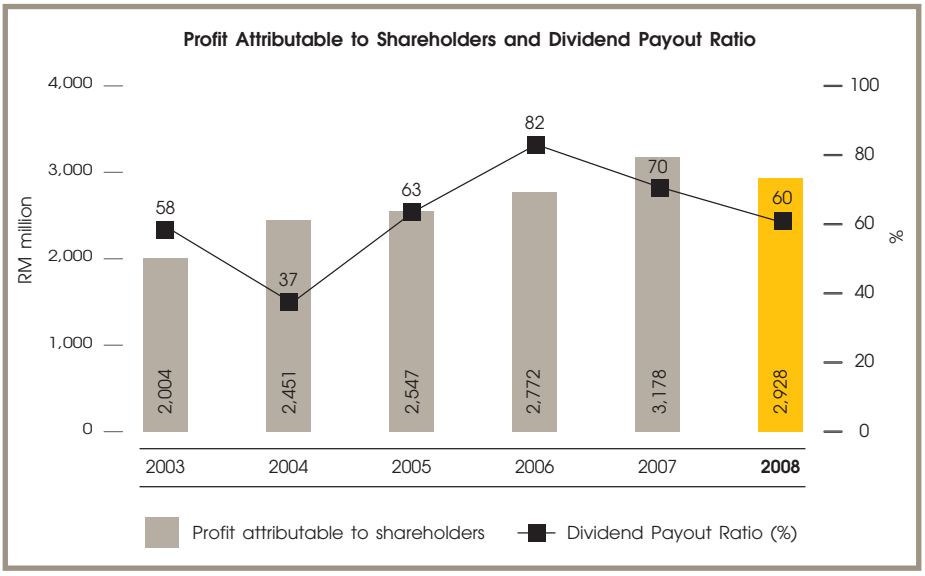
Although the dividend payout for FY2008 is lower than the 70% in the previous financial year, it is considered prudent at this juncture since Maybank is in the midst of a capital raising exercise that began in FY2008 and will conclude in FY2009.

Maybank began issuing dividends on a quarterly basis from the first quarter of the financial year. However, it has since reverted to the customary half yearly dividend payout for better capital management, moving forward.

Maybank's dividend payout ratio since FY2005 has been consistently high, at a level greater than its dividend policy. Its focus on capital management to ensure better return on equity has meant preference to reward shareholders instead of retaining underutilised cash.

Going forward, Maybank intends to ensure improved returns to shareholders through the commitment to the long term dividend payout ratio of 60% subject to approval by Bank Negara Malaysia.





BONUS ISSUE

During the year, Maybank issued a one-for-four bonus issue in February 2008 in order to improve the affordability and liquidity of Maybank shares which would help to ensure better pricing in the market.

ECONOMIC PROFIT

As part of Khazanah Nasional's Transformation Programme for Government-linked Companies (GLCs), Maybank has tracked the performance of Economic Profit since 2005. Economic Profit is an important measure of value creation to shareholders by showing a company's return over and above its cost of capital.

Maybank's Economic Profit improved from RM930 million in FY2005 to RM1,609.9 million in 2007 and RM1,095.91 million in FY2008. This represents a CAGR growth of 5.6%. The decline in FY2008 was attributable to lower net profits and higher cost of equity.

CAPITAL RAISING EXERCISE

Following the announcement of the proposed acquisitions, Maybank made plans to raise capital for the purpose of restoring the capital ratios after settlement of the acquisitions, and as additional working capital. The target capital ratios upon completion of the entire capital raising plan is to maintain a Core Capital Ratio at 7%-8% and a Risk Weighted Capital ratio at 11%-12%.

Maybank obtained approval from the Securities Commission for the issuance of Tier-1 capital securities of up to RM7.5 billion. As at end June, RM3.5 billion had been raised. Of the remaining RM4 billion, Maybank successfully raised a Singapore dollar issue amounting to SGD600 million, higher than the planned SGD500 million due to better than expected demand.

Maybank has also obtained approval for a US dollar Tier-2 issuance amounting to USD1 billion in multi currency.

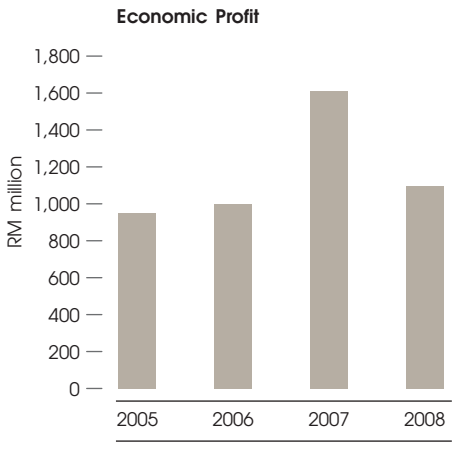
CREDIT RATING

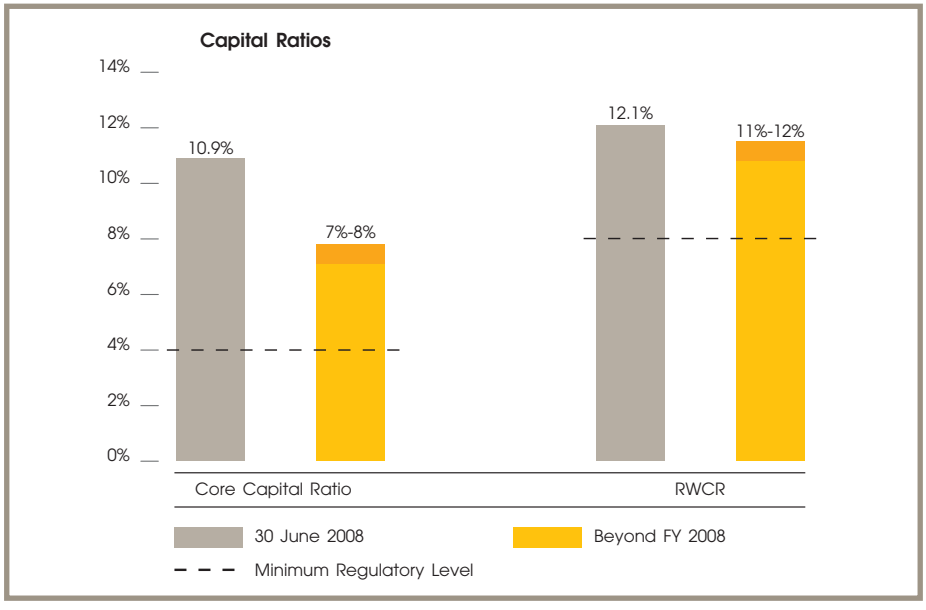
Maybank's strong fundamentals and robust balance sheet has been a key factor for rating agencies to maintain the Bank's excellent credit rating at par with Malaysia's sovereign rating.

Maybank's credit rating is as follows:

Standard and Poor's	A-
Moody's Investors Services	A3
Fitch	A-
Rating Agency of Malaysia	AAA

The ratings have been maintained throughout the period of the recent announcement of the regional acquisitions in Vietnam, Pakistan and Indonesia. Standard & Poor's revised the outlook for Maybank from positive to stable in line with the change in country outlook for Malaysia.





SUSTAINING growth

It is our unwavering commitment to ensure consistent profitability and growth for the future, continuously upholding high standards of corporate governance and business integrity.

FINANCIAL HIGHLIGHTS

	Group		Bank	
	2007	2008	2007	2008
PROFITABILITY (RM Million)				
Operating revenue*	15,179	16,154	12,573	13,093
Operating profit*	5,065	5,375	4,382	4,261
Profit before taxation*	4,364	4,086	3,893	3,119
Profit after taxation and minority interest	3,178	2,928	3,051	2,373
KEY BALANCE SHEET DATA (RM Million)				
Total assets	256,667	269,101	227,447	219,172
Securities portfolio	33,692	36,551	25,379	29,712
Loans, advances and financing*	140,865	164,800	118,557	138,986
Total liabilities	236,799	249,009	209,993	201,972
Deposit from customers*	163,677	187,112	133,856	156,323
Commitments and contingencies	175,392	204,217	171,957	192,079
Paid-up capital	3,889	4,881	3,889	4,881
Shareholders' equity	19,198	19,302	17,454	17,200
SHARE INFORMATION				
Per Share (sen)				
Basic earnings (sen)**	66.1	60.1	63.4	48.7
Diluted earnings (sen)**	65.9	60.0	63.3	48.7
Gross dividend (sen)	80.0	52.5	80.0	52.5
Net tangible assets (%)	493.6	395.5	448.8	352.4
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest-earning assets*	2.8	2.7	2.7	2.6
Net interest on average risk-weighted assets*	3.5	3.3	3.1	3.1
Net return on average shareholders' funds	17.6	15.2	18.6	13.7
Net return on average assets	1.3	1.1	1.4	1.1
Net return on average risk-weighted assets	1.9	1.5	2.0	1.4
Cost to income ratio*	42.8	44.2	39.3	43.0
CAPITAL ADEQUACY RATIOS (%) (AFTER DEDUCTING PROPOSED FINAL DIVIDEND)				
Based on credit risk:				
Core capital ratio	10.3	11.4	9.9	12.3
Risk-weighted capital ratio	15.9	15.8	14.6	13.7
Based on credit and market risk:				
Core capital ratio	9.4	10.2	9.1	10.9
Risk-weighted capital ratio	14.5	14.1	13.4	12.1
ASSET QUALITY RATIOS				
Net non-performing loans ratio (3 month classification) (%)	3.0	1.9	3.1	1.9
Loan loss coverage (%)*	80.3	99.2	78.3	101.7
Gross loan to deposit ratio (%)	76.3	80.9	86.4	79.2
Deposits to shareholders' fund (times)*	10.1	11.0	9.5	10.6
VALUATIONS ON SHARE				
Gross dividend yield (%)	6.7	7.4	—	—
Dividend payout ratio (%)	71.5	60.4	—	—
Price to earnings multiple (times)*	18.2	11.7	—	—
Price to book multiple (times)	2.4	1.8	—	—

* Comparative figures were reclassified to conform with current year presentation.

** Adjusted for bonus issue of 1:4.

FIVE-YEAR GROUP FINANCIAL SUMMARY

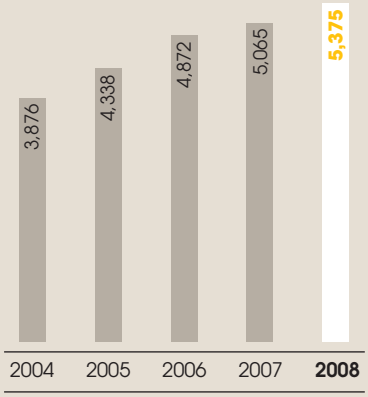
Year ended 30 June	2004	2005	2006	2007	2008
OPERATING RESULTS (RM Million)					
Operating profit*	3,876	4,338	4,872	5,065	5,375
Profit before taxation*	3,385	3,513	3,988	4,364	4,086
Profit after taxation and minority interest	2,451	2,547	2,772	3,178	2,928
KEY BALANCE SHEET DATA (RM Million)					
Total assets	179,563	191,970	224,284	256,667	269,101
Loans, advances and financing*	109,294	119,594	131,454	140,865	164,800
Total liabilities	164,434	175,036	206,807	236,799	249,009
Deposit from customers*	123,366	131,068	136,279	163,677	187,112
Commitments and contingencies	92,377	109,452	130,383	175,392	204,217
Paid-up capital	3,600	3,721	3,797	3,889	4,881
Shareholders' equity	14,689	16,481	16,867	19,198	19,302
SHARE INFORMATION					
Per share (sen)					
Basic earnings***	54.5	54.8	58.9	66.1	60.1
Diluted earnings***	54.5	54.4	58.6	65.9	60.0
Gross dividend	60.0	102.5	85.0	80.0	52.5
Net assets	408.0	442.9	444.2	493.6	395.5
Share price as at 30 June (RM)	10.10	10.90	10.70	12.00	7.05
Market capitalisation (RM Million)	36,360	40,559	40,628	46,668	34,411
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets*	2.9	2.9	2.8	2.8	2.7
Net interest on average risk-weighted assets*	2.8	3.3	3.6	3.5	3.3
Net return on average shareholders' funds	17.4	16.3	16.6	17.6	15.2
Net return on average assets	1.4	1.4	1.3	1.3	1.1
Net return on average risk-weighted assets	1.7	1.9	1.9	1.9	1.5
Cost income ratio*	40.1	39.3	39.8	42.8	44.2
Gross loan to deposit ratio	96.0	97.2	83.6	76.3	80.9
Net non-performing loans ratio (3-month classification)	6.0	4.9	3.8	3.0	1.9
Domestic market share in:					
Loans, advances and financing	20.6	20.4	20.3	19.6	19.7
Deposits from customers – Savings Account	29.8	29.1	28.9	28.6	28.0
Deposits from customers – Current Account	22.7	22.4	21.1	21.4	21.5
CAPITAL ADEQUACY RATIOS (%) (AFTER DEDUCTING PROPOSED FINAL DIVIDEND)					
Based on credit risk:					
Core capital ratio	10.4	106.0	10.1	10.3	11.4
Risk-weighted capital ratio	15.1	14.2	14.3	15.9	15.8
Based on credit and market risk:					
Core capital ratio	**	10.3	9.4	9.4	10.2
Risk-weighted capital ratio	**	13.9	13.3	14.5	14.1
VALUATIONS ON SHARE					
Gross dividend yield (%)	6.4	12.3	7.9	6.7	7.4
Dividend payout ratio (%)	37.4	113.3	82.1	71.5	60.4
Price to earnings multiple (times)	15.0	15.9	14.5	18.2	11.7

* Comparative figures were reclassified to conform with current year presentation.

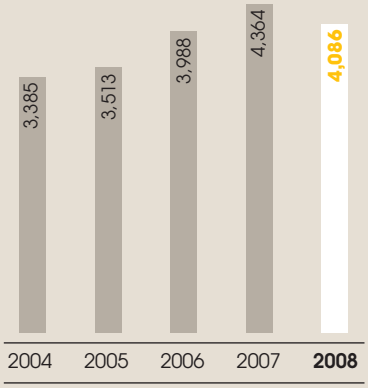
** The Bank Negara Malaysia Guidelines on Market Risk Capital Adequacy Framework are effective from 1 April 2005.

*** Adjusted for bonus issue of 1:4.

SUMMARY OF FIVE-YEAR GROUP GROWTH

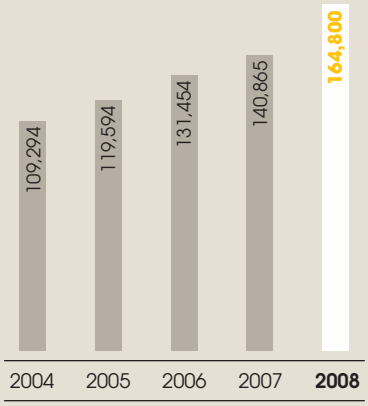


Operating Profit
RM Million

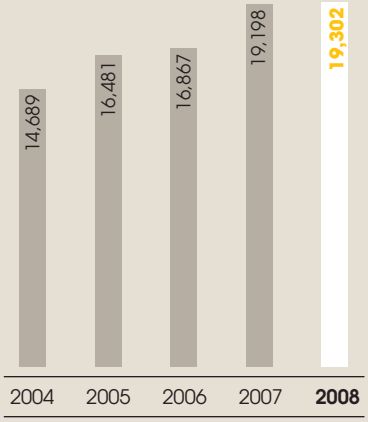


Profit Before Taxation
RM Million

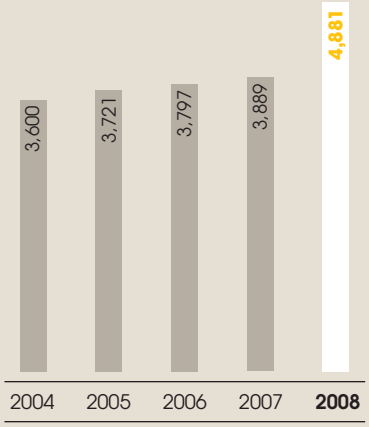
Total Assets
RM Million



Loans, Advances and Financing
RM Million



Shareholders' Equity
RM Million



Paid-up Capital
RM Million

GROUP QUARTERLY PERFORMANCE

FINANCIAL PERFORMANCE (RM Million)	2007 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2007
Operating revenue	3,540.1	3,460.0	3,966.1	4,213.1	15,179.3
Net interest income (including income from Islamic banking business)	1,537.1	1,476.7	1,482.1	1,494.6	5,990.5
Operating profit	1,182.7	1,271.4	1,227.1	1,383.6	5,064.8
Profit before tax expense and zakat	870.8	1,133.4	1,028.2	1,331.3	4,363.7
Net profit attributable to equity holders of the Bank	568.7	792.3	764.6	1,052.8	3,178.4
Earnings per share (sen)*	12.0	16.6	15.8	21.7	66.1
Dividend per share (sen)*	—	40.0	—	40.0	80.0

FINANCIAL PERFORMANCE (RM Million)	2008 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2008
Operating revenue	3,922.1	4,001.8	3,737.5	4,492.5	16,153.9
Net interest income (including income from Islamic banking business)	1,521.1	1,628.8	1,617.4	1,624.1	6,391.4
Operating profit	1,122.2	1,211.2	1,186.4	1,855.3	5,375.1
Profit before tax expense and zakat	1,014.2	1,033.2	1,020.0	1,018.7	4,086.1
Net profit attributable to equity holders of the Bank	735.4	731.0	758.6	703.2	2,928.2
Earnings per share (sen)*	15.2	15.0	15.5	14.4	60.1
Dividend per share (sen)*	17.5	15.0	—	20.0	52.5

* Adjusted for bonus issue of 1:4.

SEGMENT INFORMATION

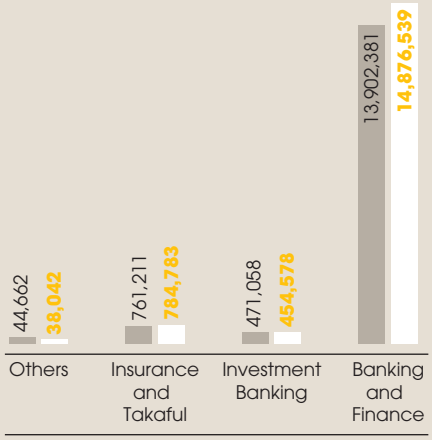
ANALYSIS BY ACTIVITY

	2007	2008
REVENUE (RM'000)		
1 Banking and Finance	13,902,381	14,876,539
2 Investment Banking	471,058	454,578
3 Insurance and Takaful	761,211	784,783
4 Others	44,662	38,042
	15,179,312	16,153,942
PROFIT BEFORE TAXATION (RM'000)		
1 Banking and Finance	3,796,019	3,560,865
2 Investment Banking	265,624	167,223
3 Insurance and Takaful	287,738	331,465
4 Others	14,317	26,517
	4,363,698	4,086,070
TOTAL ASSETS EMPLOYED (RM'000)		
1 Banking and Finance	231,119,894	242,824,140
2 Investment Banking	8,673,238	7,003,255
3 Insurance and Takaful	16,466,267	18,466,466
4 Others	407,877	806,839
	256,667,276	269,100,700

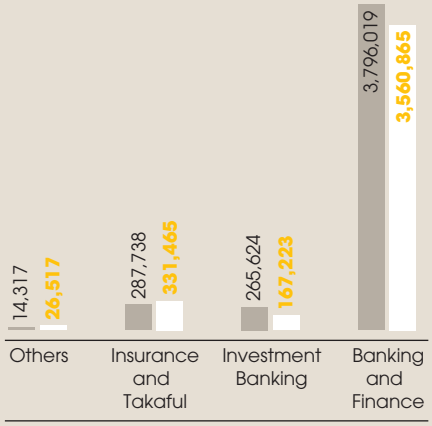
ANALYSIS BY GEOGRAPHICAL LOCATION

	2007	2008
REVENUE (RM'000)		
1 Malaysia	11,963,873	12,770,603
2 Singapore	1,872,772	2,200,485
3 Other Locations	1,342,667	1,182,854
	15,179,312	16,153,942
PROFIT BEFORE TAXATION (RM'000)		
1 Malaysia	3,725,802	3,395,162
2 Singapore	368,217	530,485
3 Other Locations	269,679	160,423
	4,363,698	4,086,070
TOTAL ASSETS EMPLOYED (RM'000)		
1 Malaysia	195,236,570	203,833,176
2 Singapore	39,334,536	47,059,441
3 Other Locations	22,096,170	18,208,083
	256,667,276	269,100,700

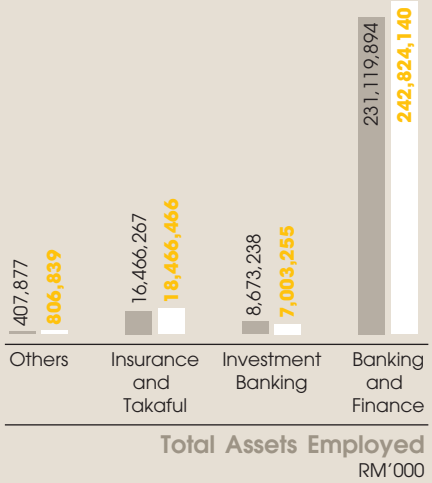
Analysis By Activity



Revenue
RM'000

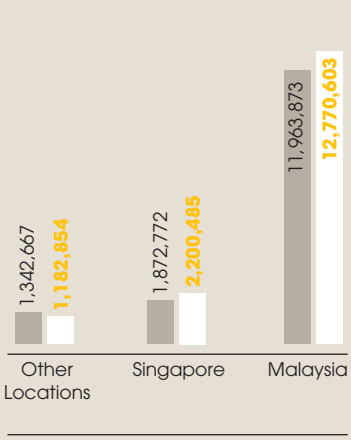


Profit Before Taxation
RM'000

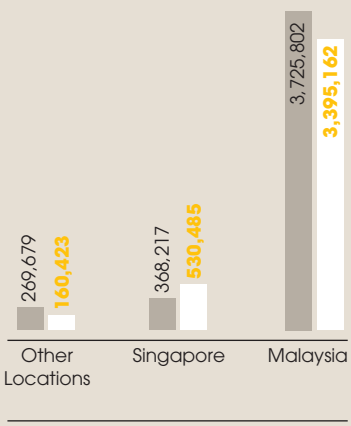


Total Assets Employed
RM'000

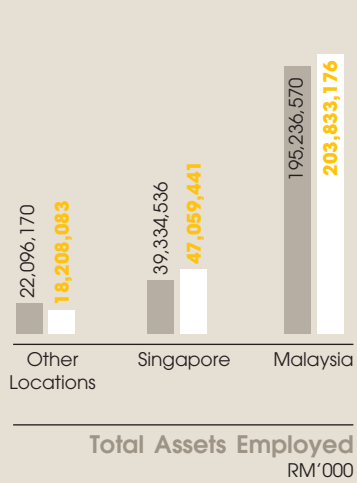
Analysis By Geographical Location



Revenue
RM'000



Profit Before Taxation
RM'000



Total Assets Employed
RM'000

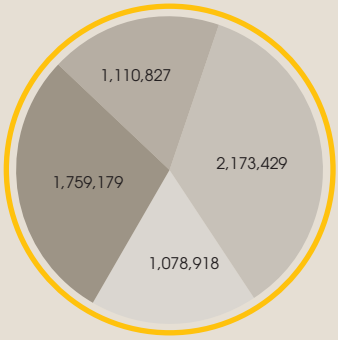
STATEMENT OF VALUE ADDED

VALUE ADDED

	2007 RM'000	2008 RM'000
Net interest income	5,132,923	5,426,789
Net income from Islamic Banking business	857,567	964,606
Other operating income	2,914,934	3,238,857
Operating expenses excluding staff costs, depreciation and amortisation	(2,005,094)	(2,739,126)
Allowance for losses on loans, advances and financing	(746,342)	(804,407)
Impairment (loss)/written back	(25,002)	(66,006)
Share of results of associated companies	(6,633)	(842)
Value added available for distribution	6,122,353	6,019,871

DISTRIBUTION OF VALUE ADDED

	2007 RM'000	2008 RM'000
To employees:		
Personnel costs	1,759,179	1,946,405
To the Government:		
Taxation	1,110,827	1,083,730
To providers of capital:		
Dividends paid to shareholders	2,098,930	2,183,908
Minority interests	74,499	74,138
To reinvest in the Group:		
Depreciation and amortisation	179,632	183,974
Retained profit	899,286	547,716
Value added available for distribution	6,122,353	6,019,871



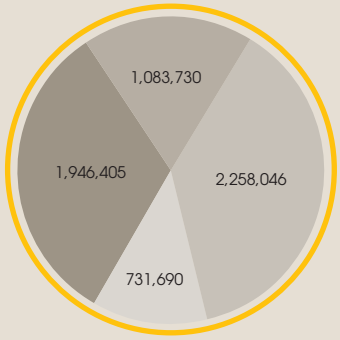
2007

To employees
– Personnel costs

To the Government
– Taxation

To providers of capital
– Dividends paid to shareholders and minority interests

To reinvest in the Group
– Depreciation, amortisation and retained profit



2008

ANALYSIS OF SIGNIFICANT BALANCE SHEET MOVEMENTS

Total Assets
For the financial year under review, outstanding assets of the Group expanded by 4.8% or RM12.4 billion while at Bank level, it declined 3.6% or RM8.3 billion. For the previous year, the corresponding growth rates were 14.4% and 15.4% respectively. The bulk of the Group's growth in assets was derived from the expansion of net loans and advances which grew by RM23.9 billion or 17% and RM20.4 billion or 17.2% for the Group and the Bank respectively.

As at end June 2008, net loans and advances represented 61.2% of total Group assets, higher than the 54.9% as at end June 2007. The proportion of interest-bearing assets to total assets was still maintained at around 90% for the Group.

Securities Purchased Under Resale Agreements
The Group no longer holds any securities purchased under resale agreement.

Deposits And Placements With Financial Institutions
The Group's deposits and placements with financial institutions declined by RM8.4 billion or 48.4% as the Group focused its funds on growing its net loans and financing by 17% or RM23.9 billion for the financial year. However, the Bank remained a net lender in the inter-bank market.

Securities
The investment securities portfolio of the Group increased by RM2.9 billion or 8.5%, mainly contributed by the rise in unquoted securities. Around 94% of the securities portfolio comprised securities available-for-sale and a further 3.2% securities held-to-maturity.

Life, General Takaful And Family Takaful Fund Assets
After a growth of RM2.9 billion or 24.1% in the previous year, this balance sheet item grew by a further 4.3% to RM15.7 billion.

Loans, Advances And Financing
During the first half of the financial year, the Group's net loans and financing were flat. However, stronger growth in the second half enabled the Group's net loans and financing to expand by 17% or RM23.9 billion compared with 7.2% or RM9.4 billion in the previous financial year. On a gross basis, after adjusting for non-performing loan (NPL) write-offs and Islamic financing sold to Cagamas, the Group's adjusted gross loans growth was a higher 16.9% compared with 7.6% previously. The Group's overall domestic loans market share stood at 19.7%.

The domestic operations recorded an increase of 12.1% from 2.9% in the previous year. This was mainly due to faster growth in the business banking sector, especially in the second half of the year. The increase was also supported by strong growth of 8.8% in the retail portfolio. In line with the Group's emphasis, trade financing continued to record a leading market share of 24.7%.

Lending to the domestic SME sector rose 28.4% to RM28.4 billion or 20% from 13.5% previously as demand for financing continued to be robust with the thriving SME sector forming one of the key drivers of the economy.

Retail loans registered a growth of 8.8% which was higher than the previous year's 2.2% due to the strong domestic demand in respect of vehicles and credit cards in the financial year. Financing for the purchase of securities also rose to RM10.3 billion or 10.7%, with the bulk of the increase related to the purchase of relatively low risk Amanah Saham Bumiputera units.

The mortgage loan portfolio, at RM24.3 billion, remains the core retail lending business activity, accounting for 42% of retail loans outstanding and having a market share of 14.3%. Residential loans for the domestic operations registered a slight contraction of 1.4% due to asset disposal and the strategy to rebalance the mortgage loan portfolio. However, Maybank continues to focus on growing its mortgage loan portfolio with new customer acquisition strategies, financing of higher end property through new high-end project developments and product packages as well as retention of existing customers through customer loyalty programmes.

Combined activities in developing customer growth, retention and loyalty have resulted in a 21.4% growth in card receivables for the financial year, outperforming the industry's growth of 10%. Acquisition of major accounts opened up greater potential for growth in business-to-business expense management. Corporate card customer base grew by 40% year-on-year, mainly attributed to large MNCs and GLCs.

Automobile financing for domestic operations recorded a significant growth of 28.3% compared to 10.9% in the previous financial year and out-performing the industry's growth of 8%. Maybank continues to be recognised in the industry, with a growing presence in the provision of automobile loans. With growth significantly exceeding the industry, the market share for financing of motor vehicles rose to 18.4% from 15.8% in June 2007. The success in gaining market share can be attributed to our focus on targeted high growth and more affluent upmarket segments notably purchasers of Toyota, Honda and Perodua as well as strategic alliances and exclusive marketing campaigns with established distributors to lock-in deals.

As at June 2008, the overseas operations loan book (including Singapore) accounted for 28.7% of the Group's loan base from 26.2% in the previous year.

In Singapore, gross loans grew an exceptionally 31.9% or RM8.9 billion from 15.5% in the previous year. Consistent with the focus on retail lending, growth in mortgage and automobile financing accounted for 56% of the overall increase in the SGD portfolio.

For the other overseas locations, growth was higher at 15.2%. In addition to supporting the increased financing requirements of the Group's customers who have invested abroad, increased participation in viable syndicated facilities as well as selective higher lending to local customers in some locations were also pursued.

The Group's Islamic financing grew by 14.6% or RM2.2 billion during the year. Islamic banking constitutes a growing portion of the Group's banking business, accounting for 12.8% of gross loans and financing. Islamic financing continues to command a high market share of 23.2%.

Sustained efforts implemented to continuously improve asset quality have borne results. The Group's gross NPL default rate declined to 3.76% from 5.55% the previous year. During the year, RM422.7 million of consumer NPLs were also sold. Hence, the Group's net NPLs declined by RM1.1 billion to RM3.2 billion as at June 2008. Accordingly, the net NPL ratio went down further to 1.92% from 3.03% in June 2007. The Group's NPL reserve cover, before taking into consideration collateral, rose to a healthy 99.2% compared to 80.3% the previous year.

Total Liabilities

Outstanding liabilities of the Group grew by 5.2% or RM12.2 billion while outstanding liabilities for the Bank declined by RM8 billion or almost 3.8%. For the Group, the bulk of overall increase was attributed to deposits from customers as well as takaful fund liabilities.

Deposits From Customers

The Group's customer deposits grew by 14.3% or RM23.4 billion compared with 20.1% or RM27.4 billion in the previous year. This performance was largely attributed to the over 15 different deposit accounts catering to different customer segments. This coupled with the added convenience of the largest branch and self-service terminal network with 24/7 access to Internet banking, helped to sustain Maybank's strength in the deposit market.

The Group's strong franchise contributed to the high growth of 25.1% for demand deposits and 5.7% for savings deposits. The Bank's pricing capacity was enhanced by its strong market share in both demand and savings deposits which stood at 21.5% and 28% respectively. Fixed deposit, however grew by only 1.2% in line with the strategy to focus growth of demand deposits and savings deposit.

The Group's overall deposit funding mix improved slightly as the Group's 'higher cost' fixed deposits and Negotiable Instruments of Deposits (NID) declined to 56.5% of total deposits from 63.8% in June 2007.

For the domestic operations, fixed deposit, NIDs and repos accounted for 57.6% of total deposits. This was significantly lower than the Industry's average of 16.9%.

Deposits And Placements Of Financial Institutions
This item declined by RM5 billion or 16.9% and signified the continued high growth in customer deposits which further decreased the need to derive additional funding requirements from financial institutions for gapping activities.

Obligations On Securities Sold Under Repurchase Agreements (Repos)
Total repos declined by 96.9% or RM9.6 billion, primarily due to lower Malaysian Government Securities sold under repos.

Recourse Obligations On Loans Sold To Cagamas
For the Group, this item saw a decline of RM1.2 billion or 48.1% and was part of the Group's routine funding strategy.

Shareholders' Equity
The Group's shareholders' equity rose by RM104.8 million or 0.6% to RM19.3 billion. The increase is mainly due to retained earnings and issue of shares pursuant to ESOS and which offset a decline in unrealised holding reserves for securities.

ANALYSIS OF INCOME STATEMENT

Net Interest Income
Net interest income of the Group (before that earned from Islamic banking) increased by RM293.9 million or 5.7%, reflecting the 8.2% rise in the average volume of interest-earning assets. However, the average net interest margin fell by 2 basis points to 2.71% and this was largely due to the highly competitive pricing in the lending market especially in the first half of the financial year.

Islamic Banking
Net income (before financing loss) from the Group's Islamic Banking operations increased by RM107 million or 12.5% to RM964.6 million.
The increase was mainly due to the higher net income from investment of Islamic Banking Funds. After financing loss, Islamic Banking operations contributed about 6.7% to the Group's profit before tax.

Non-Interest Income
The Group's focus on fee income as a strategy to drive revenue growth continues to bear results. Overall non-interest income for the Group grew by RM375.8 million or 13.1% despite the higher unrealised loss on the revaluation of securities and derivatives of RM200.4 million compared to a loss of RM74.4 million in the previous year.

Notable increases recorded were for foreign exchange profit (+RM260.3 million or 71.8%), service charges and fees (+RM129.1 million or 21.8%) as well as commissions (+RM99.5 million or 14.9%). However, the contribution of non-interest income as a percentage of total income for the financial year 2008 rose by 1.3% to 33.6% from 32.3% in the previous year.

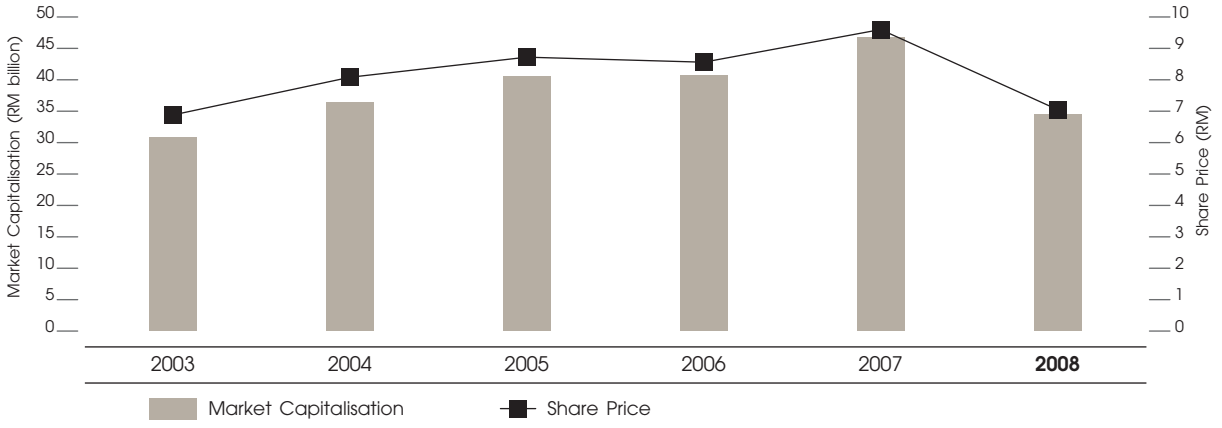
Overhead Expenses
The Group's overheads expenses increased by RM466.4 million or 12.3%. As this rose faster than revenue growth, the Group's net cost to income ratio increased to 44.2% from 42.8% previously. The growth in overhead costs is partly due to higher personnel, marketing and infrastructure costs. On a comparable basis, the Group's adjusted cost to income ratio (without insurance claims and unrealised loss) would be 40.7% against 39.6% for the previous financial year.

Loan and Financing Loss and Provisions
Loan loss and provisions of the Group amounted to RM804.4 million or 15.8% higher than that of the previous year. This increase resulted primarily from higher general provisions made resulting from the significant increase in gross loans growth, and lower bad debt and financing recovery for the financial year.

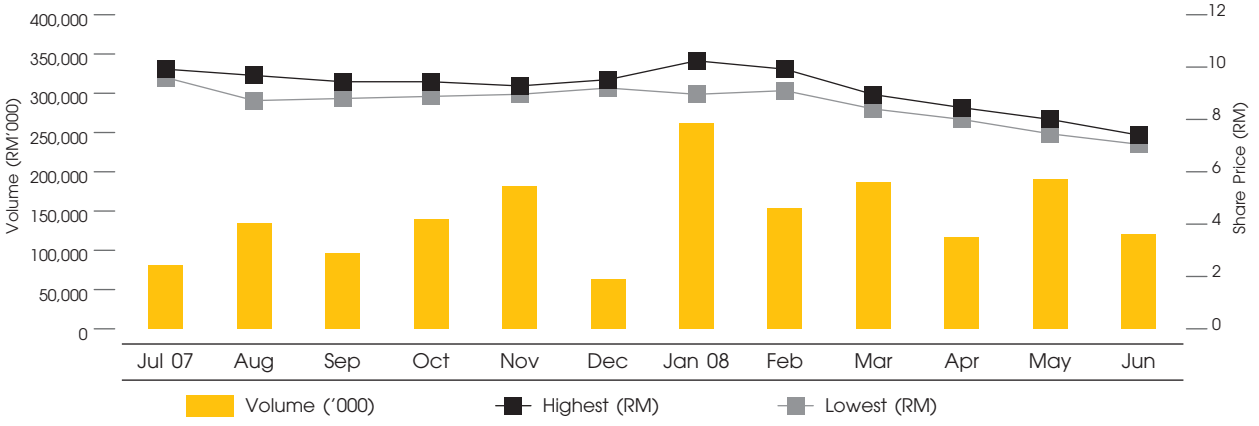
Taxation
The effective tax rate of the Group is at 26.5% which is slightly higher than the statutory rate of 26%.

MARKET CAPITALISATION & SHARE PRICE MOVEMENT

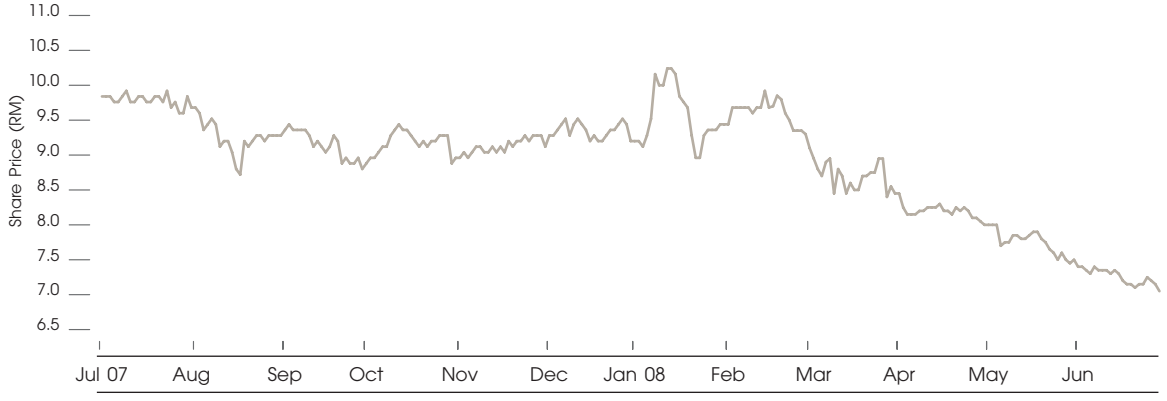
MARKET CAPITALISATION



SHARE PRICE AND VOLUME TRADED



SHARE PRICE PERFORMANCE



SHARE PRICE PERFORMANCE

MAYBANK SHARE PRICE PERFORMANCE IN FY2008

In FY2008, Maybank's share price declined 26.6% compared to a 12.2% gain in the previous financial year. From RM9.60 at the end of June 2007, Maybank rose to a high of RM10.24 at the beginning of January in tandem with the market rally but thereafter the share price declined to a low of RM7.05 as at end June 2008 on the back of a downturn in the general market and due to investor concerns over Maybank's overseas acquisitions.

Maybank's share price declined to RM9.10 (based on the price adjusted for the 1:4 bonus issue) on 21 August 2007 due to the negative global market reaction to the US sub-prime mortgage and credit market crisis. On 29 August 2007, the share price rose to RM9.40 following the announcement of Maybank Group's better than expected results for FY2007. Maybank's share price fell to a low of RM8.90 on 30 October 2007 partly due to adjustment of a 40 sen final dividend.

Thereafter, Maybank's share price gradually improved in line with the general uptrend of the Kuala Lumpur Composite Index ("KLCI") and regional equity markets and ended at 1,445.03 as at end December 2007.

Maybank's share price closed at RM9.70 on 18 February 2008 after the ex-date for the 1 for 4 bonus issue. On 8 March 2008, the share price declined to a low of RM8.45 following the outcome of the general election.

Maybank's share price gradually improved to RM8.95, rebounding from its previous selldown, assisted by window dressing activity and news of the acquisition of a 15% stake in An Binh Bank in Vietnam. However, it dropped to RM8.40 on 27 March 2008 following the announcement of the acquisition of BII.

Maybank's share price gradually declined in June 2008 along with the declining trend of the KLCI, touching RM7.30 following the fuel price hike on 5 June 2008. The price closed the year at a low of RM7.05 despite news of approvals received for the acquisitions in Vietnam, Pakistan as well as the announcement of Maybank's initial capital raising programme of RM7.5 billion Tier-1 Capital.

STOCK MARKET PERFORMANCE IN FY2008

The stock market performance on Bursa Malaysia during Maybank's FY2008 was volatile. The five-month bull run from mid-August 2007 lifted the KLCI to an all-time high of 1,516 in early January 2008. Thereafter, the benchmark index tumbled on concerns over high crude oil prices and a possible US recession. With domestic uncertainties emerging following the general election in March coupled with higher fuel prices, the KLCI eventually ended at 1,186.57 as at end June 2008, a decline of 12.4% compared to a strong 48.1% gain the year before.

The KLCI fell to 1,231.5 on 21 August 2007 following concerns about the exposure of regional banks to the sub-prime mortgage and credit markets but rebounded after the US Fed cut interest rates by 0.5% on 18 September 2007. The KLCI continued to recover and on 11 October 2007 it trended higher to 1,383.61 points. Despite the turmoil in the US with news of more sub-prime mortgage losses and the fear of a slowdown in its economy, as well as surging oil prices, the KLCI continue to rise to an all time high of 1,516.22 points on 11 January 2008.

Thereafter, huge losses on overseas markets finally took a toll on the local bourse, causing a steep market correction. The KLCI declined due to a mixed bag of dissappointing results, lost contracts in the construction business, fears of a recession in the US as well as rising oil prices. The KLCI lost 123 points in the day following the outcome of the general election.

In June 2008, the local market's performance was initially supported by news of the Gross Domestic Product (GDP) growth figure of 7.1% for the first quarter 2008, but tumbled on higher oil prices of around US$130 per barrel and the hike in fuel prices on 5 June 2008. This caused the KLCI to slide to 1,186 by end-June 2008.

CREATING
a synergistic workforce

We take pride in our people and share a common vision to grow our skills and capabilities with integrity, teamwork and mutual respect.

TAN SRI MOHAMED BASIR BIN AHMAD

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR (CHAIRMAN)
(70 years of age – Malaysian)
B.A., AMP (Harvard), D. Com Sc

Tan Sri Mohamed Basir bin Ahmad was appointed as a Director of Maybank on 5 August 1993 and as Chairman of Maybank on 9 October 1993. He also serves as Chairman of the Credit Review Committee of the Board.

He joined Bank Negara Malaysia in 1965 and had served the Central Bank in various capacities before retiring in 1993 as Advisor. He is a Fellow member of the Malaysian Institute of Bankers since 1980.

He is also the Chairman of several companies in the Maybank Group which include Mayban Fortis Holdings Berhad, Aseambankers Malaysia Berhad, MNI Holdings Berhad, PT Bank Maybank Indocorp, Maybank Philippines Incorporated and PhileoAllied Securities (Philippines) Incorporated.

He attended all of the 15 Board Meetings held in the financial year.

Tan Sri Mohamed Basir bin Ahmad has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO' SRI ABDUL WAHID BIN OMAR

NON-INDEPENDENT EXECUTIVE DIRECTOR
(44 years of age – Malaysian)
Fellow of the Association of Chartered Certified Accountants (UK); Member of the Malaysian Institute of Accountants

Dato' Sri Abdul Wahid bin Omar joined the Maybank Group on 1 May 2008 upon his appointment as the President & CEO and Executive Director of Maybank. Prior to joining the Maybank Group, he was the Group CEO of Telekom Malaysia Berhad since 1 July 2004. He was formerly the Managing Director/Chief Executive Officer of the then UEM Group Berhad and UEM World Berhad as well as the Executive Vice Chairman of PLUS Expressways Berhad. Prior to his stint at UEM Group, Dato' Sri Abdul Wahid served Telekom Malaysia Berhad as the Chief Financial Officer in 2001. He previously served as a Director of Group Corporate Services cum Divisional Director, Capital Market & Securities of Amanah Capital Partners Berhad, Chairman of Amanah Short Deposits Berhad as well as a Director of Amanah Merchant Bank Berhad and several other companies in the financial services sector.

He is also a director of a number of Maybank Group companies including Mayban Fortis Holdings Berhad and Aseambankers Malaysia Berhad.

He is currently a director of Bursa Malaysia Berhad and Perbadanan Usahawan Nasional Berhad as well as a member of the Financial Reporting Foundation of Malaysia, Mastercard Asia/Pacific Regional Advisory Board and the Investment Panels of Lembaga Tabung Haji, Kumpulan Wang Persaraan (KWAP) and Kumpulan Wang Simpanan Pekerja (EPF).

He attended all of the 3 Board Meetings held in the financial year since his appointment.

Dato' Sri Abdul Wahid bin Omar has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

HAJI MOHD HASHIR BIN HAJI ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR
(72 years of age – Malaysian)
ACA (Aust), ACIS (UK), Member of MICPA, FCMI (UK), FCIT (UK), AMP (Harvard)

Haji Mohd Hashir bin Haji Abdullah was appointed as a Director of Maybank on 7 November 1996. He serves as Chairman of the Audit and Nomination Committee, and a member of the Credit Review and Risk Management Committees of the Board.

He was the General Manager and Chief Executive Officer of Kelang Port Authority prior to his retirement in 1991.

His directorships in companies in the Maybank Group include PT Bank Maybank Indocorp, Aseambankers Malaysia Berhad, Maybank Islamic Berhad and Maybank-JAIC Management Sdn Bhd. He is the Chairman of Mayban Ventures Sdn Bhd and Mayban Agro Fund Sdn Bhd.

He attended 13 of the 15 Board Meetings held in the financial year.

Haji Mohd Hashir bin Haji Abdullah has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

First row from left to right:

• Tan Sri Mohamed Basir bin Ahmad • Dato' Sri Abdul Wahid bin Omar • Haji Mohd Hashir bin Haji Abdullah • Teh Soon Poh

Second row from left to right:

• Datuk Abdul Rahman bin Mohd Ramli • Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
• Datuk Zainun Aishah binti Ahmad • Tan Sri Dato' Sri Chua Hock Chin

Third row from left to right:

• Datuk Syed Tamim Ansari bin Syed Mohamed • Dato' Aminuddin bin Md Desa • Mohd Nazlan bin Mohd Ghazali

TEH SOON POH
INDEPENDENT NON-EXECUTIVE DIRECTOR
(72 years of age – Malaysian)
Barrister at Law (Middle Temple)

Teh Soon Poh was appointed as a Director of Maybank on 21 October 1997. He serves as Chairman of the Risk Management Committee, and as a member of the Audit and Credit Review Committees of the Board.

He was the former General Manager of Credit Control Division of Maybank prior to his retirement in 1992.

His directorships in companies in the Maybank Group include Maybank Islamic Berhad, Maybank International (L) Ltd, Mayban International Trust (L) Ltd, PT Bank Maybank Indocorp, Maybank Philippines Incorporated and PhileoAllied Securities (Philippines) Incorporated, and as Chairman of Mayban Trustees Berhad and Maybank (PNG) Ltd.

He attended all of the 15 Board Meetings held in the financial year.

Teh Soon Poh has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATUK ABDUL RAHMAN BIN MOHD RAMLI

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
(69 years of age – Malaysian)
ACA (Aust), Member of MICPA, Member of MIA

Datuk Abdul Rahman bin Mohd Ramli was appointed as a Director of Maybank on 17 November 1999. He serves as a member of the Remuneration and Establishment, Credit Review, Nomination and Employee Share Option Scheme Committees of the Board.

He was the Group Chief Executive of Golden Hope Plantations Berhad prior to his retirement in 1999.

His directorships in companies in the Maybank Group include Etiqa Insurance Berhad *(formerly known as Malaysia National Insurance Berhad)*, Etiqa Takaful Berhad *(formerly known as Takaful Nasional Berhad)*, Mayban International Trust (Labuan) Berhad, Mayban International Trust (L) Ltd and Maybank (PNG) Ltd, and as Chairman of Maybank Islamic Berhad and Maybank International (L) Ltd.

He is also the director of Kuala Lumpur Kepong Berhad and DRB-HICOM Berhad, both public listed companies.

He attended 14 of the 15 Board Meetings held in the financial year.

Datuk Abdul Rahman bin Mohd Ramli has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

TAN SRI DATO' MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

INDEPENDENT NON-EXECUTIVE DIRECTOR
(59 years of age – Malaysian)
B.Sc (Hons) in Mining Engineering

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor was appointed as a Director of Maybank on 19 July 2004. He serves as Chairman of the Remuneration and Establishment, and Employee Share Option Scheme Committees of the Board as well as a member of the Nomination Committee of the Board.

He was the Regional Business CEO/ Managing Director of Shell Exploration and Production International B.V. (Netherlands) prior to his retirement in January 2004 and resigned as Chairman of Maxis Communications Berhad in November 2007.

His directorships in companies in the Maybank Group include Mayban Fortis Holdings Berhad and MNI Holdings Berhad as well as Chairman of Etiqa Insurance Berhad *(formerly known as Malaysia National Insurance Berhad)*, Mayban Life Assurance Berhad, Mayban General Assurance Berhad, Sri MTB Berhad *(formerly known as Mayban Takaful Berhad)*, Etiqa Takaful Berhad *(formerly known as Takaful Nasional Berhad)*, Etiqa Life International (L) Ltd *(formerly known as Mayban Life International (Labuan) Ltd)*, and Etiqa Offshore Insurance (L) Ltd *(formerly known as MNI Offshore Insurance (L) Ltd)*.

He is also a director of the International Centre for Leadership in Finance and the Capital Market Development Fund.

He attended 13 of the 15 Board Meetings held in the financial year.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATUK ZAINUN AISHAH BINTI AHMAD

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
(61 years of age – Malaysian)
BA (Hons) (Econs)

Datuk Zainun Aishah binti Ahmad was appointed as a Director of Maybank on 13 July 2005. She serves as a member of the Credit Review, Risk Management, Nomination, Remuneration and Establishment, and Employee Share Option Scheme Committees of the Board.

She was the Director General of Malaysian Industrial Development Authority and a member of various committees/ authorities at national level, including being a member of the National Committee on Business Competitiveness, Malaysia Incorporated and the National Project Director for Majlis Penyelarasan Perindustrian (ICC) before retiring in September 2004.

She is a director of a number of companies in the Maybank Group including Mayban Ventures Sdn Bhd. She is also the Chairman of Scomi Engineering Berhad, and a director of Microlink Solutions Berhad, Degem Bhd, and Informatics Education Ltd, all public companies.

She attended all of the 15 Board Meetings held during the financial year.

Datuk Zainun Aishah binti Ahmad has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. She has no conflict of interest with Maybank and has never been charged for any offence.

TAN SRI DATO' SRI CHUA HOCK CHIN
INDEPENDENT NON-EXECUTIVE DIRECTOR
(57 years of age – Malaysian)
Bachelor of Science (Civil Engineering)

Tan Sri Dato' Sri Chua Hock Chin was appointed as a Director of Maybank on 1 October 2007. He serves as a member of the Audit, Remuneration and Establishment and Employee Share Option Scheme Committees of the Board.

He was the Executive Vice-Chairman of Road Builder (M) Holdings Berhad prior to his retirement in 2006. He was also the Vice-President II of the Federation of Public Listed Companies (FPLC) from 1998 to October 2006. He was also a board member of the Capital Market Development Fund (CMDF) from January 2004 until January 2008.

He attended all of the 12 Board Meetings held in the financial year since his appointment.

Tan Sri Dato' Sri Chua Hock Chin has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATUK SYED TAMIM ANSARI BIN SYED MOHAMED
INDEPENDENT NON-EXECUTIVE DIRECTOR
(60 years of age – Malaysian)
Bachelor of Economics (Hons), Master of Business Administration, AMP (Harvard)

Datuk Syed Tamim Ansari bin Syed Mohamed was appointed as a Director of Maybank on 11 October 2007. He serves as a member of the Audit, Nomination and Risk Management Committees of the Board.

He was the Divisional Director of Sime Darby Berhad's Plantations Division as well as the Managing Director of Consolidated Plantations Berhad from 1999 to 2006. He was subsequently appointed as Divisional Director, Special Projects (Northern Corridor Economic Region) before retiring in July 2007.

His current directorships in companies in the Maybank Group include Mayban Fortis Holdings Berhad.

He attended all of the 12 Board Meetings held in the financial year since his appointment.

Datuk Syed Tamim Ansari bin Syed Mohamed has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO' AMINUDDIN BIN MD DESA
NON-INDEPENDENT EXECUTIVE DIRECTOR
(46 years of age – Malaysian)
Diploma in Accountancy, Advanced Diploma in Business Studies (Insurance), Associate of Chartered Insurance Institute (U.K.), Associate of Malaysian Insurance Institute

Dato' Aminuddin bin Md Desa was appointed as Executive Director and Chief Financial Officer of Maybank on 31 January 2008.

He has over 20 years working experience in the insurance industry. He was the Chief Executive Officer of Takaful Nasional Bhd *(now known as Etiqa Takaful Berhad)* from 2001 to 2005 prior to being appointed as Chief Executive Officer of Mayban Fortis Holdings Berhad in December 2005, a position he held until 30 November 2007.

His current directorships in companies in the Maybank Group include Aseambankers Malaysia Berhad, Etiqa Offshore Insurance (L) Ltd *(formerly known as MNI Offshore Insurance (L) Ltd)*, Mayban Fortis Holdings Berhad, Etiqa Takaful Berhad *(formerly known as Takaful Nasional Berhad)*, MNI Holdings Berhad and Etiqa Insurance Berhad *(formerly known as Malaysia National Insurance Bhd)*. He is also a director of Labuan Reinsurance (L) Ltd and Islamic Banking & Finance Institute of Malaysia.

He attended all of the 8 Board Meetings held in the financial year since his appointment.

Dato' Aminuddin bin Md Desa has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

MOHD NAZLAN BIN MOHD GHAZALI
EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL & COMPANY SECRETARY

Mohd Nazlan bin Mohd Ghazali was a Partner and Head of Equity Capital Markets at Zaid Ibrahim & Co before joining Maybank in 2005. Prior to that he was with the Securities Commission for about 7 years until 2000 and his last position was the General Manager of the Enforcement Division.

He graduated with a Bachelor of Arts in Jurisprudence and a Master of Arts from University of Oxford and is a Barrister at Law of Lincoln's Inn.

He is also the Head of Corporate and Legal Services of Maybank and a director of Mayban Trustees Berhad.

DATO' SRI ABDUL WAHID BIN OMAR

Dato' Sri Abdul Wahid bin Omar is an accountant by training. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom. He joined the Maybank Group on 1 May 2008 upon his appointment as the President & CEO and Executive Director of Maybank. Prior to joining Maybank Group, he was the Group CEO of Telekom Malaysia Berhad since 1 July 2004. He was formerly the Managing Director/ Chief Executive Officer of the then UEM Group Berhad and UEM World Berhad as well as the Executive Vice Chairman of PLUS Expressways Berhad.

DATO' AMINUDDIN BIN MD DESA

Dato' Aminuddin graduated with an Advanced Diploma in Business Studies in 1985. He is also an Associate of the Chartered Institute of Insurance, UK as well as an Associate of the Malaysian Insurance Institute. He joined Maybank Group in 2005 upon the acquisition of Malaysia National Insurance Berhad by Mayban Fortis Holdings Berhad. Prior to joining the Maybank Group, he was CEO of the then Takaful Nasional Sdn Berhad *(now known as Etiqa Takaful Berhad)* since December 2001. He was also the Chief Executive Officer and Director of Mayban Fortis Holdings Berhad and Head of Insurance and Takaful until he was appointed as the Executive Director and Chief Financial Officer of Maybank on 31 January 2008.

SPENCER LEE TIEN CHYE

Spencer Lee is an accountant by profession and a Fellow of the Institute of Chartered Accountants (England and Wales). He joined Maybank Group in 1975 and is currently the Senior Executive Vice President and Head of Consumer Banking. Prior to this appointment, Spencer was the Country Head for Maybank Singapore till 2006.

DATUK JOHAR CHE MAT

Datuk Johar holds a Bachelor's degree in Economics from the University of Malaya in 1975. Datuk Johar joined Maybank Group in 1975 and has served in various capacities and positions including the Head of Enterprise Banking (Corporate/ Commercial) and Head of Retail Financial Services. Datuk Johar is currently the Senior Executive Vice President and the Chief Operating Officer.

SURACHET CHAIPATAMANONT

Surachet holds a Bachelor of Science in Electrical Engineering and Master of Science, Operations Research in Finance from Columbia University, USA. Surachet has been in the banking industry since 1993, having worked at various investment banking firms including Bear Stearns, Peregrine and JP Morgan. He was the Head of Financial Institution Group (Southeast Asia) for JP Morgan before joining Maybank Group in 2005. Surachet is currently the Chief Executive Officer and Director of Aseambankers Malaysia Berhad and Head of Corporate Investment Banking.

JAMALUDIN NASIR

Jamaludin holds a Bachelor's Degree in Economics and Bachelor of Science in Finance and Business Economics from Southern Illinois University, USA as well as a Masters Degree in Business Administration from Texas A&M International University, USA. He joined the Maybank Group in June 2005. Prior to that, he was Director, Debt Market, Dresdner Kleinwort and General Manager, Labuan Branch of Dresdner Bank AG. Previously, Jamaludin was also attached to Kwong Yik Bank *(now known as RHB Bank)* as its Assistant General Manager/Head, Corporate Banking Division. Jamaludin is currently the Senior Executive Vice President and Chief Credit Officer.

First row from left to right:

• Dato' Sri Abdul Wahid bin Omar
• Dato' Aminuddin bin Md Desa • Spencer Lee Tien Chye

Second row from left to right:

• Datuk Johar Che Mat • Surachet Chaipatamanont
• Jamaludin Nasir

Third row from left to right:

• Rozidin Masari • Lim Hong Tat

ROZIDIN MASARI

Rozidin holds a Masters Degree in Business Administration from the University of New Haven, Connecticut, USA. Rozidin began his career in banking in 1984 with Aseambankers, the investment banking arm of the Maybank Group. In 2002, he was transferred to the parent company, Maybank where he is currently the Senior Executive Vice President and Head of Business Banking.

LIM HONG TAT

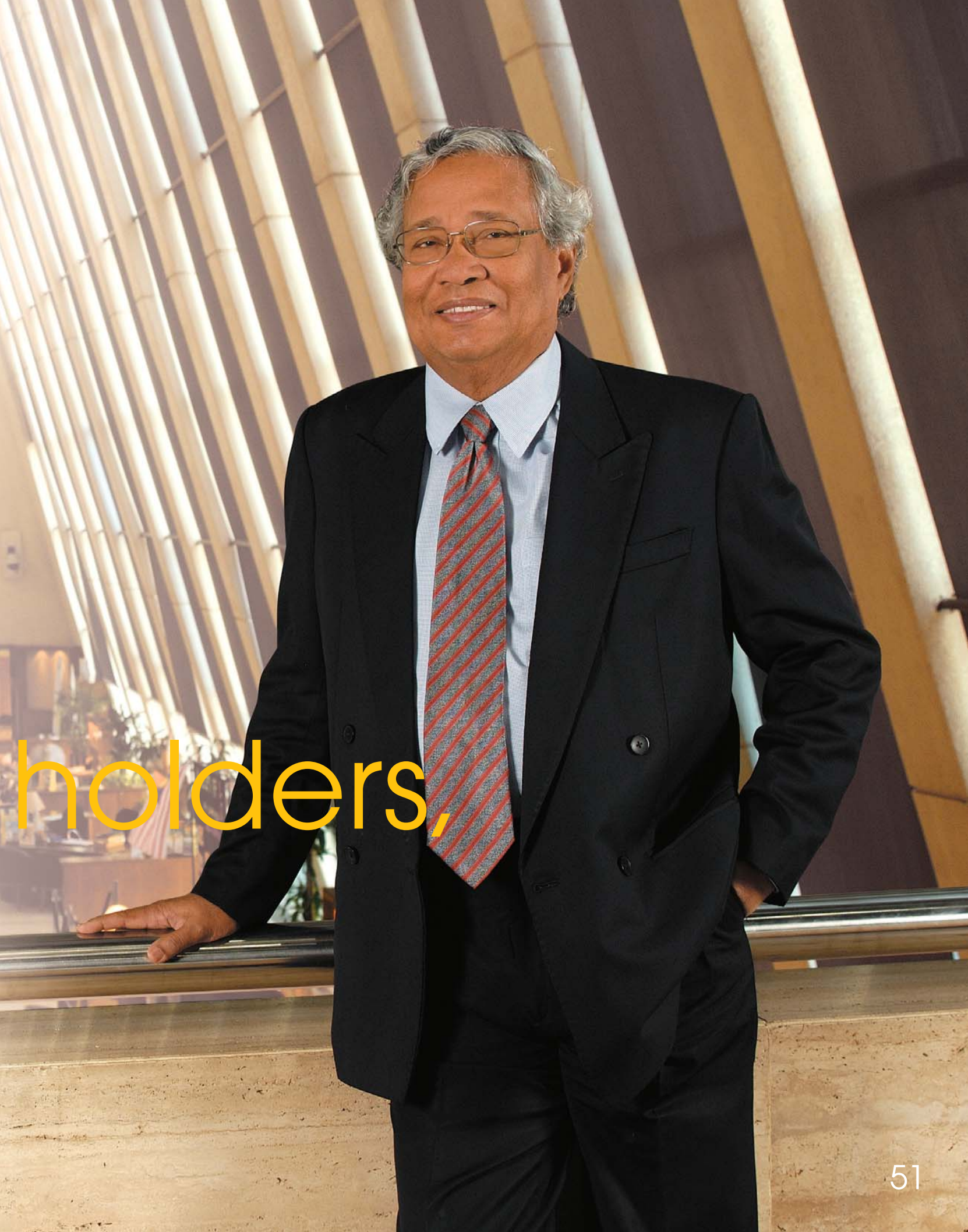
Lim Hong Tat graduated with a Bachelor of Economics (Business Administration) (Honours) degree from the University of Malaya in 1981 and has been with the Maybank Group since his graduation. He has experience in all aspects of banking having managed branch, region, credit card and overseas business portfolios. Lim Hong Tat was previously the Country Head for Maybank Philippines Inc. until 2006. He is currently Senior Executive Vice President and Head of International.

The financial year 2008 was indeed eventful and proved immensely challenging for Maybank. The change in top management and a series of overseas acquisitions were the significant events during the year in which the Group operated against a backdrop of an increasingly competitive business environment.

dearShare

During the year, we brought on board both a new President and Chief Executive Officer as well as an Executive Director and Chief Financial Officer upon the retirement of two long serving Maybankers, Tan Sri Amirsham A Aziz and Dato' Mohammed Hussein, who both had distinguished careers at Maybank for over 30 years respectively.

For the year under review, Maybank continued with its consistent record of 48 years of profitability. Against the backdrop of major global banks incurring losses as a result of the sub-prime crisis and the ensuing credit crunch, Malaysian banks were virtually unscathed, testament to the prudent regulatory oversight and sound management of risk by the local banking players.



holders,

The Group recorded a profit after tax attributable to shareholders of RM2.93 billion, a decline of 7.9% compared to the previous financial year. The decline in profits is due to a provision of RM483.8 million for the non-refundable deposit for the acquisition of Sorak Financial Holdings Pte Ltd from Fullerton Financial Holdings.

Despite the challenges in our acquisition trail, the Board of Directors remains intent on Maybank's plans to become a leading regional financial services group and believes that these acquisitions are a necessary part of a longer term strategy to significantly enhance growth while in the pursuit of organic growth within the region.

During the review period, we completed the acquisition of 15% equity in MCB Bank Limited of Pakistan in June 2008 and an additional 5% was acquired in July 2008 bringing the total equity stake to 20%. Our acquisition of one of the most well managed banks in Pakistan paves the way for our entry into South Asia and we are firmly committed to building a long term presence in Pakistan that will be beneficial for the Group to enhance our return to shareholders.

For our acquisition of Sorak Financial Holdings which paves the way for Maybank to be the controlling shareholder of Bank Internasional Indonesia (BII), we are currently engaging with the relevant stakeholders to find the best way forward to complete the transaction by 26 September 2008. As for the acquisition of An Binh Commercial Joint Stock Bank in Vietnam, we hope to complete the acquisition of a 15% stake by end September 2008.

In February 2008, Dato' Aminuddin Md Desa was appointed Executive Director and Chief Financial Officer of Maybank. He took on the role of Acting Chief Executive Officer in March 2008 upon the retirement of Tan Sri Amirsham who was appointed as Minister in the Prime Minister's Department.

In May 2008, Maybank welcomed into the Group Dato' Sri Abdul Wahid Omar who assumed the position of President and Chief Executive Officer. With the change in top management, a renewed enthusiasm was brought about across the organisation. We are confident that the able leadership of Dato' Sri Abdul Wahid Omar and the management team will generate renewed vigour for Maybank in its journey forward.

FINANCIAL AND OPERATING PERFORMANCE

Maybank's core financial performance remained resilient in the face of intensified competition and weakened economic conditions. Without the provision for the non-refundable deposit, profit after tax attributable to shareholders totaled RM3.22 billion, a slight improvement of 1.3% compared to the previous financial year. Net income grew 6.6% to RM9.44 billion as loans grew a strong 16.1% with domestic loan growth at 12% and international loans at 27%.

I am pleased to report that the 12% domestic growth is higher than the 11.7% for the industry. This is in part due to Maybank's focus on being a bank of convenience as well as its ability to fulfill customer expectations. In particular, you would have probably witnessed that Maybank's ATM network has expanded significantly and to date, we have a total of over 2,700 ATMs located in both the urban and rural areas throughout the country.

The significant investment we have made in infrastructure and expanding our network has resulted in encouraging growth of our customer base which to date totals over 8 million nationwide. Despite the expectation that the business environment will be more challenging given the moderating macro-economic conditions, we will continue to entrench our dominant position domestically and expand beyond Malaysian shores to realise our aspirations.

DELIVERING SHAREHOLDER VALUE

I am pleased to announce that the Board of Directors has recommended a final dividend of 20 sen per share less 26% tax. Together with the first and second quarter interim dividends of 29 sen (adjusted for the one-for-four bonus issue), the total gross dividend for FY2008 amounts to 49 sen for the year, translating to a total dividend payout ratio of 60.4%, consistent with our dividend policy in the past of a minimum dividend payout ratio of 60% in the long term.

ACHIEVEMENTS

During the year under review, Maybank's strategy to diversify its earnings base has seen it pursuing innovation through broadening its products and services across all business divisions.

In January 2008, Maybank Islamic Berhad was incorporated as an Islamic Bank and a wholly-owned subsidiary of Maybank. As a full-fledged Islamic Bank, it is able to operate in new areas of Islamic Banking and offer a wider range of Islamic products and services.

Our pursuit of diversification beyond commercial banking through expanding our insurance business has proven to be successful. During the year, we completed the consolidation and integration of our insurance businesses under a new brand Etiqa, providing greater convenience and an expanded portfolio of comprehensive insurance and takaful products.

We are also happy to note that we completed the successful integration of our Investment Banking group under Aseambankers which in the previous financial year acquired the Group's stockbroking business and discount house. As we move forward in the new financial year, we acquired BinaFikir Sdn Bhd, a boutique investment advisory firm, through Aseambankers to facilitate the recruitment of talent that would further strengthen Aseambankers in our quest to make it among the top two investment banking groups in the country.

ACKNOWLEDGEMENTS

The Board of Directors of Maybank wishes to convey its appreciation to Tan Sri Amirsham A Aziz, our former President and Chief Executive Officer who had ably served and led the Maybank Group, taking it from strength to strength in Malaysia and building the platform for regional expansion.

We thank him for his outstanding service, commitment and leadership in steering the Group forward through the years. Under his stewardship, the Group saw healthy growth and record profits which increased steadily from RM1.16 billion in 1994 when he was first appointed Managing Director, to a milestone record of over RM4 billion in the last financial year.

We would also like to acknowledge and record our appreciation to Dato' Mohammed Hussein for his dedicated long service to the Group as Deputy President and Chief Financial Officer. His commitment to the growth and success of the Group is indeed commendable.

The Board of Directors is delighted to welcome Dato' Sri Abdul Wahid Omar who joined Maybank as President and Chief Executive Officer on 1 May 2008 and Dato' Aminuddin Md Desa who was appointed Executive Director and Chief Financial Officer of Maybank.

On a sadder note, we wish to take this opportunity to record our condolences to Datin Mary Ho and family on the demise of our former Vice-Chairman, the late Dato' Richard Ho in February 2008. The late Dato' Richard Ho was exemplary in his service and wise counsel to the Group, for which we will be ever grateful.

Finally, on behalf of the Board of Directors, I wish to extend my sincere gratitude to all our stakeholders who have over the years supported us in our quest to take Maybank to greater heights of achievement and success.

Tan Sri Mohamed Basir Ahmad
Chairman

Although the general business environment remained challenging, the Maybank Group has continued to maintain its dominant industry position.

INTRODUCTION

It is the hard work and commitment of the founding fathers of Maybank 48 years ago that have underlined the Group's achievements thus far. As Malaysia's banking icon, Maybank presents itself to its customers a value proposition that is premised on trust, stability and reliability. I am pleased to be here in Maybank to be part of this proud tradition to continue this course and work hard to take the Group to another level.

I joined Maybank on 1 May 2008, almost at the end of FY2008. At that time, Maybank was in the midst of completing three major acquisitions in the South/South East Asian regions. While these were challenging times, I could not have possibly obtained a better introduction to the organisation through the breakneck pace at which I had to get up to speed with the proposed acquisitions; fund raising activities; the preparation of Budget FY2009 and the numerous engagements with stakeholders – be they staff, customers, shareholders or regulators – who have given me feedback and different perspectives on what needs to be done.

Despite the hectic pace, it has been rewarding from a learning point of view. It is during these first four months too that we initiated a review of Maybank's business, operations and people and revisited our aspirations. I will discuss this further in the section under Strategic Transformation.

BUSINESS ENVIRONMENT

The operating environment during FY2008 started off strong, but later turned mixed as robust domestic demand was moderated by weakening exports, domestic uncertainties, higher fuel and commodity prices as well as the slowdown of the global economy.

Nevertheless, the domestic financial sector continued to record relatively healthy loans growth into June 2008 at 11.7% year on year, where both household and business loans grew 8.9% and 14.4% year on year respectively. Asset quality of the banking system improved further with the net non-performing loan (NPL) ratio declining to 2.7% as at June 2008, from 4.1% as at June 2007. System capitalisation stayed strong

with core capital and risk weighted capital ratios at 10.1% and 13% respectively as at June 2008.

However, the rest of the year 2008 is expected to be very challenging for the financial services industry, particularly for the capital markets which in June 2008 were impacted by the introduction of windfall taxes on the independent power producers, and may be further impacted by an anticipated move to review toll road concessions in the country.

The impact on the equity market was much more pronounced. After an 11% improvement from the start of the financial year to its peak of 1,516 points on 11 January 2008, the Kuala Lumpur Composite Index (KLCI) suffered from steep foreign selling following the March 2008 General Election. Consequently, the KLCI tumbled 25.9% to 1,070 points calendar year-to-date (as of 26 August 2008). The average daily trading value declined from RM2.04 billion in the second half of 2007 to only RM1.67 billion in the first half of 2008.

GROUP PERFORMANCE

The Malaysian banking industry recorded strong growth over the past year in an environment of high liquidity. The banking system remained highly competitive under the deregulated environment whereby foreign banks, especially foreign Islamic banks, have greater scope to expand their operations. Although the general business environment remained challenging, the Maybank Group has continued to maintain its dominant industry position.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

RM million	FY07	FY08	YoY
Operating Profit	**5,065**	**5,375**	**6.1%**
Loan Loss Provision	(695)	(804)	15.8%
Unrefundable deposit	—	(484)	
Profit before taxation	**4,364**	**4,086**	**-6.4%**
Net Profit attributable to shareholders	**3,178**	**2,928**	**-7.9%**
EPS (sen)	66.07	60.08	-9.1%
Total Assets	**256,667**	**269.101**	4.9%
Loans, advances and financing	140,864	164.800	17.0%
Deposits from customers	163,676	187,112	14.3%
Shareholders' Funds	**19,868**	**20,092**	**1.0%**
Net ROE *	18.8%	17.3%	
Return on Asset	1.81%	1.66%	
Cost to Income ratio	42.8%	45.1%	
Net Interest Margin	2.73%	2.71%	
Non-Interest Income to Net Income**	33.2%	32.8%	
Tax Rate	25.5%	26.5%	
Net NPL	3.03%	1.92%	

FY08 financial ratios are adjusted before taking into account provision for the non-refundable deposit (RM483.8 million) and the gain on foreign exchange of RM193 million SGD funds placement in relation to the balance consideration for the acquisition of Sorak Financial Holdings.

* *after deducting deferred taxation*

** *Including fee from Islamic Banking*

The Group's operating profit grew 6.1% in FY2008 to RM5.38 billion compared to RM5.06 billion the previous year. The better operating profit was attributable to higher net interest income from strong gross loans growth of 16.1% and higher non-interest income which grew 13.1%. However, profit after tax attributable to shareholders declined by 7.9% due to the provision for the non-refundable deposit paid in respect of the BII acquisition. As a result, earnings per share fell 9.1% for the year while Net Return on Equity declined to 17.3% from 18.8% the previous year.

With rising cost pressures and greater competition for talent, the cost to income ratio rose to 45.1% from 42.8% the previous year.

Commercial banking as the mainstay of the Group's business showed strong performance contributing 92% of total profit before tax. Non-commercial banking (investment banking and insurance) business contributed only 8% of the Group's profit before tax. The challenging market environment caused Treasury and Investment Banking to record declines in profit before tax but Insurance showed a commendable 10.2% growth.

The outstanding performance by our international operations reaffirmed our strategy to expand our overseas presence into markets with greater potential for growth. International operations of the Group contributed 19% of the Group's profit before tax for FY2008. Singapore generated the bulk of profits contributing 64% of international profit. Starting from a smaller base, we are pleased to see strong growth emanating from our operations in the United Kingdom, Vietnam, Cambodia and the Philippines.

LOANS AND ADVANCES

(RM billion)		Jun 07	Jun 08	Growth
Domestic Operations		**108.9**	**122.1**	**12.1%**
of which:	***Consumer***	53.3	58.0	8.8%
	Securities	9.3	10.3	10.7%
	Vehicles	13.9	17.8	28.3%
	Residential	24.6	24.3	-1.4%
	Credit card	2.6	3.2	21.4%
of which:	***Business***	55.6	64.1	15.3%
	Corporate	32.1	35.7	11.2%
	SME	23.5	28.4	21.1%
Overseas Operations		**38.6**	**49.1**	**27.2%**
of which:	S'pore (SGD)	12.2	16.1	31.9%
	Others	10.6	12.2	15.6%

Maybank's strong gross loans growth of 16.1% in FY2008 drove total gross loans to RM171.2 billion as at 30 June 2008. Domestic operations recorded a growth of 12.1%, which was slightly higher than the industry's 11.7% growth. Our international operations continued to provide the Group with an outstanding source of growth with Singapore loans growth, in terms of Ringgit Malaysia, growing at 31.9% while the other international units collectively grew at 15.6%. As a result, overseas loans as a proportion of total loans grew to 28.7% from 26.2% the previous year.

In the domestic market, the business segment showed stronger growth than the consumer segment as SME loans grew 21.1% and corporate loans showed a commendable 11.2% growth.

In the domestic consumer segment, automobile financing showed the fastest growth, expanding 28.3% to RM17.8 billion while credit cards receivables grew 21.4% to RM3.2 billion. However, mortgages, which constitute 41.8% of the consumer loan book, declined by 1.4%, mainly attributable to the competitive mortgage market and partly due to the strategy to focus on niche markets to ensure better credit quality that will translate to higher profitability.

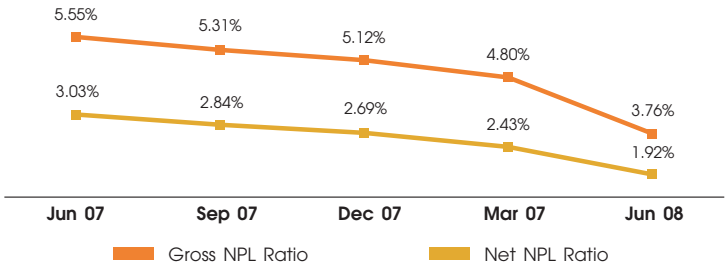
DEPOSITS

Deposit growth continued to be strong with total customer deposits growing by 14.3% from the previous year. Total low cost deposit, consisting of savings and demand (CASA) deposits, continued to record strong growth of 15.9% over the past year as these deposits grew at 5.7% and 24.9% respectively. In contrast, fixed deposits, which are higher cost, grew by only 1.2%, in line with our strategy to focus on growing our CASA deposits. The composition of our CASA deposits edged up 0.4% to 36.3% as a percentage of total deposits.

NET INTEREST MARGIN

Under the highly competitive operating environment, profit margins in the banking industry have naturally been squeezed. However, Maybank has been able to prevent severe erosion as net interest margin declined by only 2 basis points to 2.71% while net interest income rose 5.7% in line with higher interest-earning assets year on year. What is comforting to note is that the net interest margin has risen from 2.59% to 2.81% from the September 2007 quarter to the June 2008 quarter.

ASSET QUALITY



Maybank's strategy of focusing on improving asset quality has borne fruit over the past few years and it continued to improve throughout the year. The net NPL ratio declined to 1.92% as at June 2008 from 3.03% a year earlier while Gross Reserve Coverage has now reached 99.2% from 80.3% a year earlier. Specific Provision Charge Off rate remained low at 36 bps, improving from 45 bps a year before.

STRATEGIC TRANSFORMATION

Over the past five years, Maybank's growth in business trajectory has remained at a consistent rate of around 12% per annum, in terms of assets and profit after tax. Maybank has always leveraged on its incumbent position, putting into good use the vast network that it has throughout the country.

During the same period, there have also been some fundamental shifts in the banking industry in Malaysia where banks have become more aggressive in pushing their products and services. Growing affluence and sophistication have resulted in customers becoming more discerning. In this kind of environment, customers will favour banks which are aggressive in acquiring customer business, no matter how differentiated the products or services may be.

To secure leadership in this increasingly challenging and competitive environment, Maybank is embarking on a holistic performance improvement programme to realign operations, processes and talent management. The aim of this programme is to fulfill our long-term aspirations to be a leading regional financial services group by 2015.

ACTIVITIES UNDERTAKEN

This programme began with a high-level affirmation of Maybank's aspirations and review of key businesses and processes throughout the Group. This process saw the concerted involvement at all levels of the Group, from the Board of Directors and management to staff at all levels in the far most regions and most important of all, our customers. Taking into consideration macro-economic factors such as intensifying competition, heightened customer sophistication and the changing operating requirements, Maybank has launched a group-wide change initiative focused on three strategic thrusts:

- Secure Maybank's position as the undisputed leader in financial services in Malaysia.
- Strengthen its regional presence through enhancing operations in seven out of 10 Asean countries in which it is already operating while continuing to look for opportunities in lucrative growth markets in the region.
- Become a talent and execution-focused company.

TIMELINE

Launched in September 2008, the programme will be implemented in two horizons right up to the year 2015. In the first horizon reaching up to 2011, the focus will be on 30 initiatives touching upon all of Maybank's major business sectors covering consumer, enterprise, investment and Islamic banking operations as well as talent development.

TARGETED OUTCOMES

The transformation programme is premised on our determination to achieve the stated aspirations. In order to fulfill our goals, we need to adjust our growth trajectory from what was in the past to a more progressive level. This means that to a large degree, we cannot continue to drive the business as before. There has to be a shift in thinking and behaviour to achieve these targets. The aspirations that have been set rely heavily on enablers that would provide a quantum leap in mindset.

This programme, called LEAP 30, will include 17 business initiatives, six talent initiatives and seven enabling

initiatives. The initiatives will be rolled out rapidly with results consistently tracked and measured to ensure continuous innovation and change in current practices. The business initiatives are targeted at significantly improving revenue growth in priority segments and to enhance cost and capital efficiency of the Group. In the area of human capital development, the Group has set its sights on upgrading its talent pool and continuing to strengthen its performance culture. The launch of the transformation programme requires a large pool of talents that would drive the myriad of initiatives planned. The programme is a talent development programme engine that would help build Maybank into an execution-focused organisation. To do this, we have enhanced a lot of our talent related programmes to keep abreast of the dynamic talent demands in the industry through short and long-term initiatives. Top priority among the enabling initiatives will be the re-emphasis of customer centricity in all areas of business and operations to take customer service to a greater level of excellence.

AWARDS AND RECOGNITION

During the year under review, the Group continued to receive awards and recognition for brand value, governance, outstanding performance for several of its business activities as well as its employee welfare and corporate responsibility programmes. These awards and recognition are detailed in pages 18 to 21 of this Annual Report. Due credit must be accorded to all Maybankers for such accolades.

PROSPECTS & OUTLOOK

FY2009 is expected to be more challenging as the global economic outlook is overshadowed by the unfolding financial crisis and sharp economic slowdown in the United States that was triggered by the earlier collapse of the subprime mortgage market. The International Monetary Fund (IMF) expects global growth to slow significantly in the second half of 2008 before recovering gradually in 2009. The IMF projects global economic growth to ease to 4.1% in 2008 and 3.9% in 2009 after averaging 5% per annum between 2004 and 2007.

At the same time, the surge in crude oil and soft commodity prices during the financial year prompted the Government to raise fuel-energy prices to reduce its fuel-energy subsidy bills in June 2008. Consequently, the inflation rate accelerated during the period from 1.6% year on year in July 2007 to 7.7% in June 2008. The reduction in world crude oil prices resulted in the lowering of fuel prices domestically to ease inflationary pressure.

Malaysia's real GDP growth is expected to moderate to between 4% and 4.5% in the second half of 2008, giving a full-year real GDP growth of 5.3% before stabilising at around 5.1% in 2009.

ACKNOWLEDGEMENTS

While this is just the beginning of my journey with Maybank, I would like to extend my sincere gratitude to our Chairman Tan Sri Mohamed Basir Ahmad and the Board of Directors of Maybank for the trust and belief in my ability to assume the executive leadership role in the Group. I will endeavour to the best of my ability to repay this trust placed in me by the Board, and to fulfill the tasks at hand to take Maybank on the aspirations that it has set forth to achieve. Although it was initially planned that there would be a one-month handover from my predecessor Tan Sri Amirsham A Aziz in June 2008, this did not materialise as he was appointed to the Malaysian Cabinet in March 2008. I would, nevertheless, like to pay tribute and record our appreciation to Tan Sri Amirsham for his leadership of Maybank and the strong legacy which he has built for the Group through the years. The people of Maybank are indeed proud of his achievements.

Finally, I would like to acknowledge the support of all our stakeholders, including Bank Negara Malaysia and the relevant regulatory authorities, our shareholders, business partners, customers and our staff, for the assistance, guidance and contribution to Maybank. To my fellow senior management colleagues and the rest of the 24,000 staff, thank you for accepting me as your leader and I look forward to working closely with you to realise our aspirations to be a leading regional financial services group.

Dato' Sri Abdul Wahid Omar
President & CEO

Maybank Group's operating profit grew 6.1% in FY2008 to RM5.38 billion compared to RM5.06 billion the previous year. The better operating profit was attributable to higher net interest income from strong loans growth of 16.1% and higher non-interest income which grew 13.1%.

CONSUMER BANKING

The consumer banking sector contributed 31% of profit before tax to Maybank. The unit is responsible for the provision of housing loans, automobile loans and credit card business, and accounts for more than half of the Group's domestic loans.

Maybank's consumer loan segment, which comprised 41% of the Group's outstanding balance, performed satisfactorily in FY2008 with pre-tax profit increasing by 16% to RM1.89 billion.

Consumer lending activities remained focused on the financing of residential properties and transport vehicles which accounted for 67% of the total retail loan portfolio.

Total consumer loans expanded by 9% mainly driven by automobile and unit trust financing which grew by 28% and 11% respectively. Consumer deposits, on the other hand, rose by 7%, spearheaded by growth in savings and demand deposits which expanded by 9% as at end of FY2008.

The consumer Gross NPL ratio improved to 4.9% in FY2008 compared with 6.6% last year owing to the disposal of NPLs and complemented by robust prevention, collection, recovery and litigation activities.

MORTGAGE FINANCING

The mortgage portfolio, remains the core consumer lending business activity, accounting for 49% of consumer loans outstanding with a market share of 14.4% as at May 2008.

Residential mortgages contracted by 1.4%. The contraction was partly due to asset disposal and the strategy to rebalance the mortgage portfolio.

Consumer banking adopted new customer acquisition strategies by financing of higher end properties through new high-end project developments and product packages as well as retention of existing customers through customer loyalty programmes.

In diversifying our housing loan offering, special packages were also targeted toward high net worth customers while two new Islamic banking products, HomeEquity-i and ShophouseEquity-I, were launched. In addition, a Pay Half repayment option was introduced, allowing customers to first repay their housing loan up to only 50% of the original loan amount with the balance 50% deferred until the end of the loan tenure. Other innovative and notable mortgage products introduced included will writing services together with mortgages (the first for a Malaysian bank), interest-only repayment in the first 5 years, and the Zero Payment repayment option while properties are still under construction.

In the priority housing loans sector, between January to June 2008, Maybank financed a total of 1,861 units or 38% above the 1,350 required units, evidence of the Bank's continuous commitment to support this sector for properties valued up to RM100,000 for Peninsular Malaysia and RM120,000 for East Malaysia.

AUTOMOBILE FINANCING

Maybank's automobile loan portfolio, which comprised mainly hire purchase, rose by 28% to RM17.8 billion from RM14 billion, out-performing the industry's growth of 8%.

With growth significantly exceeding the industry, the market share for purchase of motor vehicles rose from 13.4% in June 2007 to 15.9% in May 2008. The success in gaining market share can be attributed to focus on targeted high growth and more affluent up market segments, strategic alliances and exclusive marketing campaigns with established distributors to lock-in deals. In the background, business process improvement initiatives were undertaken to improve the hire purchase approval and disbursement process to provide faster service to the dealers.

Maybank provides a diverse product range for the entire value chain that meets the needs of the automobile industry. It is the first to introduce Islamic AITAB HP Financing & Takaful motor insurance, HP Balloon & Step-up Repayment Plan, Corporate Auto Staff Scheme as well as HP Customer Loyalty & Retention Program.

CARDS BUSINESS

Card member billings recorded a robust growth of 22% with strong growth of 26% from credit card and 23% from commercial payment compared with the previous corresponding period. The acquisition of a major multinational account in May 2008 opened up greater potential for growth in B2B (business-to-business) expense management. The corporate card customer base grew by 40% year-on-year, mainly attributed to large MNCs and GLCs.

Maybank has etched a mark in the market place in terms of customer loyalty and performance driving retention as well as continued spend. Maybankard Treats and American Express Membership Rewards are the leading loyalty programmes in the country.

Maybank continues to incorporate technology into its products to add more value and offer greater convenience to customers. It has initiated new payment options in contactless technology through Visa Wave and NFC. The investment in BASE 24 system will provide premium service without disruption due to system downtime for key partners from petrol companies, departmental stores and others. Maybank is also the pioneer in offering loyalty points redemption at electronic data capturing terminals. Amongst new services were the American Express

'Global eShop', American Express FlexiPay and Maybankard Secure Online Shopping that allows on line shopping in a secure environment.

To serve our customers better, Maybank has opened the first one-stop card centre at One Utama shopping mall, a first of its kind, where customers may be served while shopping at the mall.

In line with the national objective in promoting a cashless society, Maybank has been the pioneer in e-debit retail transactions, commanding over 75% market share.

In collaboration with a key partner, Maybank successfully launched a co-branded credit card – Maybankard Visa Petronas – in January 2008. The card received overwhelming response from consumers with over 170,000 issued as at July 2008. Maybank also tied up with China Union Pay Co. Ltd (CUP) to enable their more than 1.3 billion debit and credit card members to enjoy cashless payments in Malaysia via Maybank point of sales (POS) terminals.

To further strengthen our determination to bring more leading edge, world class products and services to specific niche markets, Maybank collaborated with American Express to issue the Maybank American Express Platinum Credit Card on 25 March 2008.

The combined activities in customer growth, retention and loyalty has resulted in a 21% growth in card receivables for FY2008, outperforming the industry's growth of 10%.

BANCASSURANCE

Maybank has been the market leader in bancassurance business for life insurance (new business) at 41% market share. Etiqa, Maybank's insurance subsidiary, is currently ranked first in the Ordinary Life (New Business) market with a share of 53.78%.

Strong growth during the year was attributed to new customer acquisition strategies, more innovative products and better value proposition to customers. Other strategies included optimisation of the Bank's delivery channels in providing greater convenience to customers through Self Service Terminals, e-Channels and Direct Marketing initiatives.

Major campaigns included the Merdeka Campaign, Bijak Malaysia Campaign, Motor Insurance Campaign, 3R Campaign and MRTA Campaign as well as the distribution of several products: Takaful Capital Protection (TCP4), PCG 14 – Precious Asian, and Global Equity Market, which in total garnered more than RM400 million in sales.

WEALTH MANAGEMENT

Maybank continued its commitment to strengthen its wealth management franchise as the preferred Wealth Management partner by offering better value propositions to its affluent and high net worth customer segments.

Initiatives during the year included expansion of strategic partners and providers of a broad spectrum of wealth management products and services for the Bank's increasingly sophisticated clientele, leveraging on the capability of the Maybank Group through cross offering of business opportunities to Mayban Trustees, Maybank Custody, Treasury and Maybank Islamic Banking. Several initiatives have been successfully completed and contributed to the performance and revenues of these strategic units.

We are also in the midst of expanding our reach to more targeted customers in a more innovative and efficient manner. All these initiatives are designed to achieve the two broad objectives of Wealth Management namely as the *Business Driver for the Save and Invest Domain of the Maybank Group* and *the Provision of a Full Value Proposition to the High Net Worth Customer Segment.*

During the year, total product sales amounted to RM1.35 billion from the launch of various wealth management investment products which included the AsiaPac Hybrid Capital Protected, OSK-UOB Asian Real Estate Fund, the Bank's first Structured Islamic Deposit, STRIDE-i, Asian Equity Capital Guaranteed (PCG13), Maybank Alpha Centurion and the PNB Structured Investment Fund.

FUNDING & RETAIL LENDING

Maybank continued to dominate retail deposits with a market share of over 26.4% as at June 2008, registering strong growth in current account and saving account deposits of about 9% in FY2008, with almost RM2.6 billion in new deposits.

This performance was largely attributed to the over 15 different deposit accounts catering to the different customer segments, coupled with the added convenience of the largest branch and SST network with 24/7 access to internet banking Products include M2U Premier, designed for the mass affluent and upper market segment, Net Current Account-i, the first Islamic internet-based current account in Malaysia, an online current account and extension of personal financing facility to the Bank's existing customers under Al-Inah (Islamic) and conventional financing.

PAYMENT SYSTEMS

Payment Systems recorded a fee based income of RM410.9 million which represented a growth of 3.58%. The increase was attributed to income growth in ATM services and remittances of 29.82% and 8.63% respectively. Overall, the number of payment systems transactions grew 28% to 118.7 million transactions from 92.5 million transactions previously.

Key factors that accounted for the strong growth included the extension of MoneyGram service to all branches and forex booths, enhancement of MEPS Regional Links with ITMX of Thailand and CUP of China, continuous campaigns to create market awareness and increase market penetration as well as enhancement in product packaging and systems to deliver efficient customer service. Others include the new services that allow companies and organisations to make payments to other banks via MEPS Interbank GIRO, issuance of bankers cheques as well as collaboration with the Inland Revenue Board for the collection of income tax via four channels – over the counter, ATMs, Maybank2u and phone banking.

CHANNEL MANAGEMENT

Maybank's retail business is anchored by its strong franchise which encompasses the most extensive branch and ATM network coverage in Malaysia. As at June 2008, Maybank's domestic consumer business franchise covers more than 400 outlets and more than 4,000 Self Service Terminals nationwide, which translate into a market share of 19% and 35% respectively.

The Bank continues to optimise its delivery channels through enhancements in cross-channel capability in delivering products for different customer segments via specific channels. Maybank's branch customer service model is aligned to drive Relationship Banking via the rolling-out of the "Retail Development Project (RDP)", "Signature Branches", "Lifestyle Banking" and "In-Store" concepts focusing on enhancing the physical branch ambience, process improvements and customer service.

In January 2008, the branch network was migrated from a legacy frame-relay system to an Internet Protocol Virtual Private Network (IPVPN), leading to reduction in network complexity, easier network management and improved cost effectiveness as well as exchange of encrypted confidential data. Currently the IPVPN service operates at more than 400 branch networks, over 2,700 ATMs and 160 point-of-sales merchant networks.

Maybank will continue to expand its physical network coverage as well as the installation of self service terminals in strategic locations as part of its continuing commitment to enhance customer experience beyond a normal bank branch environment and banking hours.

E-CHANNELS

Maybank2u.com, the leading internet banking website in Malaysia, is a testament of Maybank's significant presence online with three million registered users and over 58% market share.

The strong growth during the year was attributed to innovative product offerings through electronic commercial transactions as well as a shift from simple fund transfers to more complex transactions such as purchasing airline and movie tickets. Maybank2u became the first to offer facilities such as eFD (certless Fixed Deposits) and Electronic Bill Payment & Presentment, the continuation of lifestyle positioning, re-emphasis on the teenage segment using the myzone platform through music entrepreneurship ('My First Biz') and inter-school competitions ('My School Rocks'). Other initiatives included capitalising on market opportunities through the Online Stocks' discounted trading fees offer, on-going community support through MERCY Malaysia (Myanmar and China Relief Fund), and re-inforcement of online security through a public awareness campaign with Cyber Security Malaysia.

Key achievements during the year included the launch of the M2U Lounge at 1 Utama Shopping Centre in Petaling Jaya, the launch of the first Online Payment Facility for Pizza Hut Delivery, Income Tax Payment via M2U as well as M2U accessibility through MSN Windows Live with Agent M.

CUSTOMER SERVICE

Customer Service is a culture that is inculcated within the entire Maybank Group. With our large customer base of over 8 million customers, improvements in customer service enabled Maybank to improve its cross-products holding ratio and to secure a larger share of the customer's wallet. The Bank has adopted a customer centric approach in providing differentiated value propositions to cater for the unique needs of customers broadly classified into three segments: High Networth Individual (HNWI), Mass Affluent customer and Mass Market customer.

To support this initiative, the Bank has transformed its sales and service approaches for different customer segments. For HNWI and Mass Affluent customers, we focus on relationship banking and adopt an advisory approach at all customer touch-points by taking a holistic approach in fulfilling these customers' specific needs. As for the Mass Market customer segment, our strategy is to provide them with convenience in banking anytime, anywhere via our electronic Self Service Terminals (SSTs).

Maybank embarked on Phase 1 (Pilot) of its customer centricity project in August 2007. The branch customer service model is aligned to drive and support Relationship Banking by training our sales persons to become financial advisors with enhanced competencies, skills and knowledge to serve our target customers. Sales capabilities are enhanced with the transformation of processes and systems leading to improved management in customer information and marketing database.

The implementation of the analytical Customer Relationship Management (CRM) module enabled the Bank to better define customer segmentations as well as customer and product profitability and design life-style value propositions to suit the different segments. Maybank is gradually moving from a general campaign sales approach to a needs-based sales approach, with product offerings that suit the requirements of the target customer segments.

With the use of CRM analytics, Maybank can better understand and predict customer behavior in relation to financial solutions. Database marketing has generated RM3 billion worth of new business which include mortgage, consumer loans, investment, deposits, insurance and credit cards.

The implementation of our state-of-the-art Branch Sales & Service System (CARE System) which was independently verified as a first in ASEAN in June 2007 has enabled us to set a new benchmark in customer experience. The CARE System provides branch sales and service staff with a one-stop platform to facilitate and enhance customer service in line with the Bank's vision of customer centricity, moving towards advisory and relationship banking. Its capability includes having a Single Customer View to support sales personnel managing cross-selling and upselling Maybank Group banking and financial products, performing

financial planning according to the risk profile and needs of the customer, and closing deals through sales fulfillment, all with straight through processing via a single integrated system. The CARE System was successfully implemented nationwide at all Maybank branches in August 2007.

The Maybank Group Contact Centre (MGCC) provides a one stop customer service platform for all our customers. Using one dedicated call number, 1-300-88-6688, Maybank customers can now contact our MGCC Call Agents round the clock anytime, from anywhere to access a wide range of retail banking services.

The MGCC system is a comprehensive end-to-end call center system that has evolved beyond the traditional PABX setup. It encompasses systems, processes and people. It also shares the same CRM database with the CARE System. This enables Call Agents to see the same customer view as the sales and service staff at the branches. Going beyond the traditional call/query and answer mode, the MGCC customer experience supports queries and facilitates banking services. It has also evolved into a strategic sales/ telemarketing channel for the Bank.

PROSPECTS

The existing inflationary environment and economic uncertainty is expected to dampen consumer demand in the current financial year. This could soften demand for new housing loans and automobile loans. Housing loans could see slower growth due to buyers delaying their purchases or opting for more affordable homes. Nevertheless, there could be opportunities in the new property purchase market where properties at prime locations are expected to continue to enjoy good demand among potential buyers from up-graders, new graduates and new families.

In automobile financing, the Malaysian Automobile Association (MAA) expects a slowdown in vehicle sales during the second half of 2008 with more people opting for fuel-efficient vehicles or downgrading to cheaper cars following the fuel price hike in June. In addition, used cars prices are expected to further decline due to slower demand which has already been evident in the previous financial year.

BUSINESS BANKING

Maybank's business banking portfolio comprises two major segments namely corporate and commercial businesses. The corporate segment covers Maybank's public listed company clients, their subsidiaries and related companies with relationship management handled centrally. The commercial segment focuses on Maybank's SME clients with business and relationship management driven by more than 800 dedicated account

managers through 39 business centres strategically located in major towns and growth areas. In addition to this, business banking clients are also supported via 17 Trade Finance Centres nationwide.

PERFORMANCE REVIEW

For the FY2008, the Business Banking division recorded significant growth in loans and advances, net interest income and non-interest income. Total loans and advances grew by 18.7% compared to 9% during the previous financial year. Net interest income and fee income registered growth of 5.7% and 17.1% respectively during the same period.

SME DEVELOPMENT

The SME sector forms an integral component of the Malaysian economy and is increasingly gaining in importance as an essential contributor to GDP growth. SMEs represent an important pillar within the supply chain process that larger corporations require to operate effectively.

SME development continues to be the main focus during the financial year. SME loans continued to show strong growth as it increased by 21.1% this financial year.

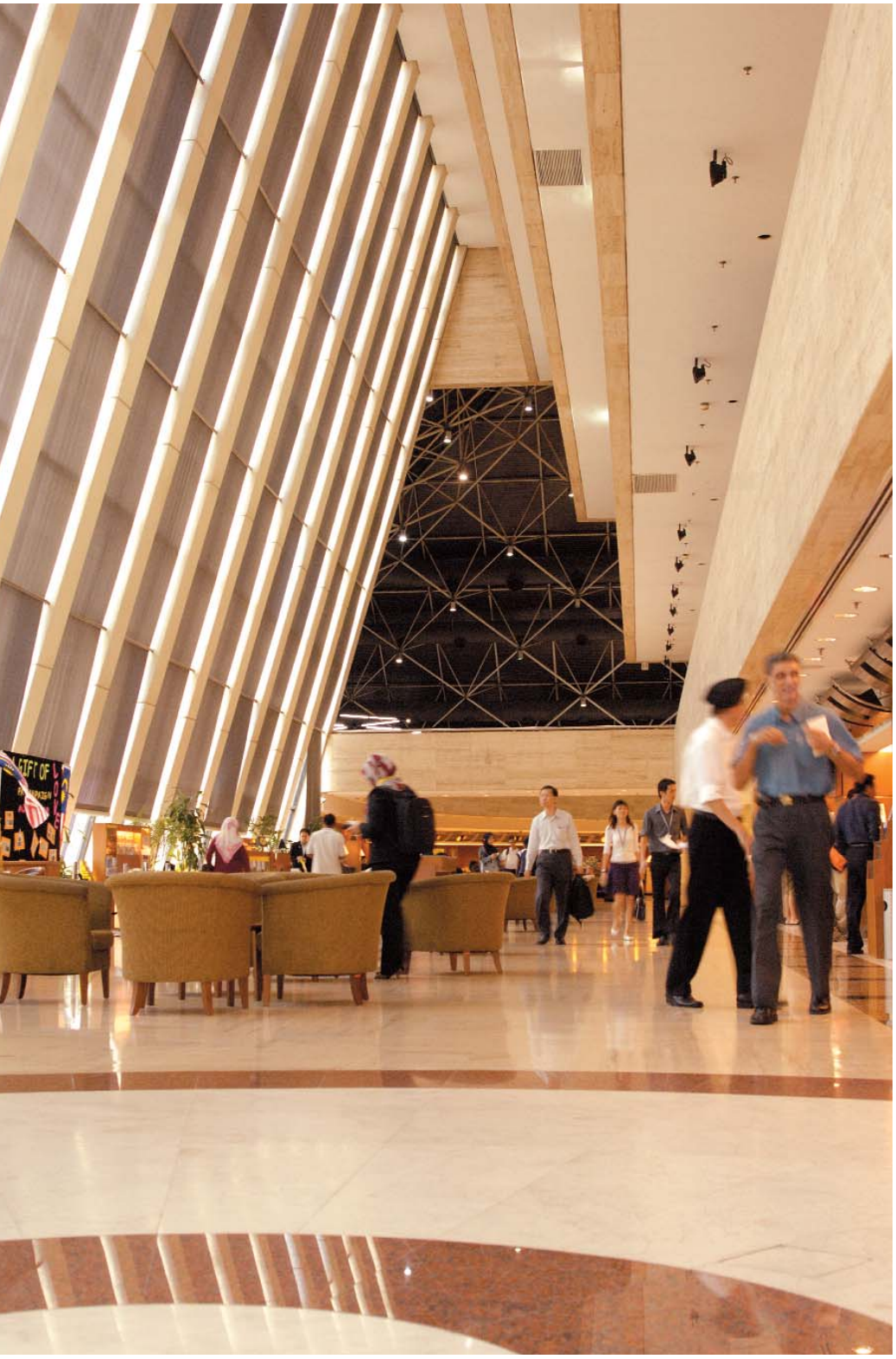
Maybank has long recognised the strategic importance of SMEs and has therefore heavily invested in skilled personnel, dedicated infrastructure and innovative products and services to support this dynamic segment. Apart from crafting innovative products and solutions to meet the specific requirements of our SME clients, Maybank also provides training and advisory services in the form of formal financial management and marketing training, seminars and road shows to ensure that our SME clients continue to strengthen and achieve sustainable growth in their businesses.

To assist our clients in their exports and overseas business expansion, Maybank's dedicated Regional Business Desk regularly conducts seminars on business opportunities in China and the Asean region. In addition to this, Maybank also takes on the role of 'business matching agent' for interested foreign establishments venturing into Malaysia and for Malaysian SMEs with aspirations for overseas expansion.

BUMIPUTERA DEVELOPMENT

The Business Banking division continues to be actively involved in the development of Bumiputera SMEs through the Bumiputera Development Department which works closely with the Chambers of Commerce and other related Government Agencies to further promote Bumiputera businesses in the country.

During the financial year, Maybank organised 12 seminars specifically for Bumiputera entrepreneurs nationwide. These seminars help upgrade understanding amongst the Bumiputera business community with respect to the financing options available as well as those tailored to enhance their knowledge on basic accounting. Furthermore, business banking representatives were also invited to participate as guest speakers at over 30 seminars and workshops on topics such as franchise business and financing, preparation of business plans as well as basic accounting.



Business Banking is also currently involved in the PROSPER Working Committee of Perbadanan Usahawan Nasional Berhad (PUNB) to evaluate business proposals for financing under the scheme as well as a Panelist Trainer for the Franchise Training Program organised by the Ministry of Entrepreneur Development, Perbadanan Nasional Berhad and the Malaysia Franchise Association.

GOVERNMENT AIDED LOAN & CGC GUARANTEE SCHEMES

Maybank has always been the main supporter of the Government Aided Loans Schemes to support SMEs. As at June 2008, Maybank has about 4,800 customers with total approved limit of RM2.9 billion under the various schemes especially the Fund for SMI (FSMI) and New Entrepreneur Fund (NEF).

As a further testimony of our support for the development of SMEs, Maybank has always worked closely with the Credit Guarantee Corporation (CGC) to provide guarantee coverage to SME customers having insufficient security/collaterals when applying for financing. As at June 2008, Maybank had approximately 17,000 approved applications totaling to RM6.8 billion guaranteed by CGC.

CASH MANAGEMENT

Today, the complexities of the Malaysian business environment can prove to be more than a little demanding. Cash management in Malaysia has grown immensely. More companies are investing in Malaysia and looking for innovative cash and treasury solutions. As a result, Maybank's improved cash management solution in Maybank2e.net is capable of managing complex financial supply chain and working capital management activities under an integrated platform to provide businesses greater control and flexibility in managing their cash positions.

Maybank's cash management system has evolved significantly since it was introduced in the 1990s, allowing business customers to view their account statements and transactions from their office computers.

The total number of customers adopting both desktop and web-based cash management solutions has increased significantly from about 1,600 in 2003 to about 9,300 in 2008 with 3,300 new mandates won during FY2008 alone. The fee revenue growth through Maybank2e.net reached more than RM64.5 million in the current financial year, compared to RM40.5 million last year.

Over the past year, Maybank has rolled out a host of products to add to its suite of Cash Management services which are also Syariah compliant, for the convenience of Islamic Banking business customers. Given the increasing usability of the internet today and answering to the government's call to inculcate an e-payment culture, there is great potential for Maybank to reach out to businesses and encourage the use of cash management solutions with the introduction of these services.

TRADE FINANCE

Maybank's business model is developed based on the best practices of leading Trade Finance providers around the globe. The model is realised through centralisation of transaction processing via Trade Processing Centres and decentralisation of customer service via Trade Finance Centres. The success of this operating model is evident from our financial performance after its rollout in July 2001.

Maybank's overall trade finance market share grew from about 20% in 2001 to 27% in 2008 while the volume of trade transactions grew from RM60 billion to RM300 billion over the same period. For the past five financial years, our utilisation rate has been maintained above 70% compared to only 50% prior to the implementation of the new operating model.

The development of an online Trade Finance Portal is underway and will be designed to provide our trade customers with web-based front-end solutions targeted at making their trading experience more efficient as well as time and cost saving. The end state is expected to result in drastic improvements in efficiency, hence improving turn around time with straight through processing capabilities. The expected rollout of this service by March 2009, will make Maybank the first local bank to provide this type of service on par with other global players.

PROSPECTS

Maybank's Business Banking strength is based on its strong emphasis on customer relationship management, its extensive local presence, service differentiation and continuous product development. Moving forward, Maybank will continuously review and identify potential growth areas to strengthen our network of Business and Trade Finance Centres to meet the ever growing demand for better service from the business community.

TREASURY

The Treasury Division of Maybank plays a vital role in supporting the overall business sectors achieve its goals to spur the ultimate aspirations of Maybank to be a major regional bank.

Treasury has the dual function of tactical management of the balance sheet and engaging in proprietary trading and investment for revenue generation. The activities include the sale and distribution of hedging and investment products to corporate and institutional customers. Market conditions for the financial year allowed Maybank Treasury to register an overall commendable performance through its sales, trading, derivatives and structured products desks. Nevertheless, the volatile market conditions during the review period caused pre-tax profit to decline 10% from the previous year although contribution to Group profit remained high at 13.2%. This was mainly due to the lower holdings of fixed income portfolio on account of wider credit spread. The turmoil of the subprime mortgage crises affecting major global markets did not affect Treasury as the exposure to subprime mortgage-backed securities was minimal.

Maybank is committed to contribute to the development of the domestic capital market. The Bank will continue to provide market liquidity in the Malaysian bond market as Principal Dealer for sovereign securities where its participation accounted for approximately 6.9% of the overall trading volume in the secondary market for these securities.

In 2007, Treasury expanded its product base by offering both conventional and Islamic structured products in the form of Negotiable Instruments of Deposits and Notes. The business model relied on the collective effort between Treasury and other business divisions, particularly Consumer Banking. The target market is the mass affluent customers in meeting their sophisticated and diverse needs, be it capital protection, diversification, regular income or yield enhancement.

The inaugural launch of AsiaPac Hybrid in July 2007 marked a shift from the conventional product offering to a more innovative product aimed at capitalising on the economic expansion of the Asia Pacific region through exposures of major Asia Pacific equity indices and commodities. The notable STRIDE–i, the first structured Negotiable Islamic Debts Certificate (NIDC) in Malaysia was launched in November 2007 and the most recent Maybank Alpha Centurion (MAC) was launched in May 2008.

The Capital Market is expected to remain volatile with subdued activities for the current financial year. However, the long term economic outlook for the region and the emerging market would stay on growth track. Treasury will pursue accordingly an appropriate strategy consistent with the outlook.

ISLAMIC BANKING

OVERVIEW

Maybank's Islamic banking operations set an important milestone during the past year with the establishment of a wholly-owned Islamic bank under the name Maybank Islamic Berhad ("Maybank Islamic") on 1 January 2008.

Maybank was the first to introduce Islamic banking services in 1993 through the Islamic Banking "window" concept. Since then, Maybank has played a significant role in the development and promotion of the country's Islamic banking sector. The incorporation of a separate Islamic Banking subsidiary marks a significant step towards supporting the Government's efforts to position Malaysia as an international Islamic financial centre and reaffirms the Group's focus on three key strategic objectives – offering Islamic foreign currency business through the establishment of the International Currency Business Unit ("ICBU") within the entity, development of new business of Islamic wealth management and Musyarakah (equity participation) as well as expansion of its domestic business leadership to compete more aggressively in the global Islamic market.

Maybank Islamic is the largest Islamic commercial banking provider in the Asia Pacific region with total Islamic assets of close to RM28 billion and a dominant domestic market share of Islamic financing and customer deposits of 23% and 18% respectively as at June 2008.

FINANCIAL PERFORMANCE

Maybank Islamic recorded a healthy profit before zakat and taxation of RM273.2 million. Total Islamic assets stood at RM28 billion with total net financing and advances amounting to RM21 billion.

Islamic banking constitutes a growing portion of the Group's banking business, accounting for 15% of gross loans and financing and 12% of customer deposits with loans growth being driven by strong demand for Islamic automobile financing and securities financing. Maybank Islamic's financing portfolio comprises 65% consumer and 35% business financing.

Financing asset quality remained strong with net non-performing financing ratio of 2.62%. Traditional deposits of savings, current account and general investment deposits amounted to more than RM19 billion, accounting for 77% of the total deposits and funding as at the end of June 2008.

As a separate entity, Maybank Islamic is adequately capitalised with a core capital ratio of 8.06% and risk weighted capital ratio of 9.65%.

OPERATIONS

Maybank Islamic's continued market leadership is attributable to its initiatives to offer the widest and most comprehensive range of Islamic financial solutions serving the needs of both the consumer and business community and more importantly making sure that all its products and services comply with Shariah principles. Maybank Islamic continues to place strong focus on product development in an effort to make its products and services compliant with international Shariah standards, a strategic move to increase market share as well as to export its capabilities outside the home market.

Substantial progress has been made during the year to enhance competitiveness in the marketplace including the introduction of new financing, deposits and treasury products targeted at both consumer and business segments.

To further diversify its consumer product portfolio, Maybank Islamic has introduced Amanah Saham Bumiputera Financing-i, *Musyarakah Mutanaqisah* Home Financing, and Foreign Currency Deposit Account-i. The range of business banking and treasury products were also expanded with the launching of Commodity *Murabahah* Deposit and Placement, Islamic Profit Rate Swap, Islamic Cross Currency Swap, Short Term Revolving Credit-i and Onshore Foreign Currency Financing-i. In addition to Ringgit denomination products, Maybank Islamic also introduced Commodity *Murabahah* Deposit and Placement in foreign currency, which reinforced its commitment to build its foreign currency business and extend its marketability in foreign funds.

On the wealth management front, Maybank Islamic launched the Structured Islamic Deposit ("STRIDE-i"), the first Shariah compliant Negotiable Islamic Debt Certificates in the Malaysian financial market. STRIDE-i provides a good platform for investors to benefit from China and India's industrialisation and population growth via copper, a material for electrical products and wheat, a source of staple food.

STRIDE-i has been well-received by the investing public as RM310 million worth of investment has been secured as at end June 2008. Complementing this success, Maybank Islamic also launched two new Shariah compliant Negotiable Islamic Debt Certificates namely, Maybank Alpha Centurion and 3M-KLIBOR Range Accrual. All our structured deposits offer 100% capital protection at maturity, giving investors peace of mind against devaluation of their investments.

BRANCH AND DELIVERY CHANNELS

Our consumer products and services are distributed primarily at our 12 sales and service centres also known as Cawangan Perbankan Islam. In addition, the products and services are also offered at all Maybank branches, automobile financing centres and private banking centres. Meanwhile, products and services targeted at business communities are distributed through the Group's business centres, trade finance centres and at the head office Business and Corporate Investment Banking divisions.

Maybank Islamic also leverages on the strength of Maybank's existing electronic channels to allow its customers to gain access to self-service banking terminals, phone banking, cash management, internet banking and other electronic touch-points for revenue maximisation and cost optimisation.

ROLES AND AUTHORITY OF SHARIAH COMMITTEE

The Shariah Committee is primarily responsible for providing advice to Maybank Islamic and Maybank Group on all Shariah related matters and issues with applicable Shariah concepts and principles. The Shariah Committee members are appointed for a two-year term and comprise three distinguished scholars. They are:

- Sahibus Samahah Dato' Seri (Dr) Harussani Zakaria (Chairman)
- Associate Professor Dr Mohammad Deen Mohd Napiah (Member)
- Associate Professor Dr Ismail Bin Mohd @ Abu Hassan (Member)

PROSPECTS

The growth in Islamic banking is expected to be positive given the various incentives by the Government to promote Malaysia as an international Islamic financial centre.

Moving forward, Maybank Islamic will continue to strengthen its market share leveraging on the infrastructure within the Maybank Group, to broaden its customer base and provide its customers with comprehensive Shariah compliant financial solutions. Business planning and strategies will proactively be developed to enhance its selling propositions, targeting potential and untapped markets whilst strengthening its position as the preferred bank by existing customers. With our continued domestic market leadership and intensified efforts to meet customer demands as well as taking advantage of its universal Islamic banking license, Maybank Islamic foresees encouraging growth in business for the coming year.

INVESTMENT BANKING

OVERVIEW

Maybank's investment banking business is operated under its wholly-owned subsidiary Aseambankers Malaysia Berhad, which for FY2008 was the first full year to include the operations of Mayban Securities and Mayban Discount, which were acquired in early 2007.

The merging of the stockbroking business of Mayban Securities with Aseambankers will pave the way for the Investment Bank to bring the equity business of the Maybank Group to a higher level.

BRAND & CORPORATE CULTURE

The integration of Aseambankers, Mayban Securities and Mayban Discount to form Aseambankers posed an internal challenge in integrating the various corporate cultures, work processes and brand positioning. This financial year focused on the integration via an Internal Branding Campaign – "We Are One". Armed with the vision to become a premier investment bank in the region, a series of change management workshops, cascading sessions, leadership training and identification of Brand Champions were conducted to align the mind-set, culture and team spirit of the different organisations to act as one.

In aspiring to be the preferred investment bank, Aseambankers continues to broaden its product capability and strengthen its competitive advantage as a total solutions provider as well as strengthen its business coverage by leveraging on the Maybank Group's regional and international presence.

FINANCIAL PERFORMANCE

Overall performance for the year showed significant improvement with total operating income growing 42% to RM250 million in FY2008. In addition, net profit before tax also grew a healthy 39% to RM153 million. Major contributions were from Arrangers' Fees and Primary Subscriber's Fees which recorded 149% and 814% year-on-year growth.

The outstanding performance was attributable to a number of notable deals in the Debt Capital Market and is reflected in its high league table positions.

Recent deals in the investment bank include the multiple award winning First Synthetic Securitisation and First Securitisation of SME Loans for Malaysia and South East Asia. The deal was a Synthetic Securitisation of Small Medium Enterprise (SME) Loan of up to RM600 million in Nominal Value. The deal was issued by Cagamas with Maybank as the originator, whereas Aseambankers was the Joint Principal Advisor/Joint Lead Arranger. It was a breakthrough for the Malaysian capital market and financial system and enabled the country to position itself as a model for SME funding in the Southeast Asian region. This deal was executed with the aim to develop and build the SME sector by providing it with competitive sources of funding.

Aseambankers' improving quality of research acts as an important tool to support the investment banking business and strengthen its competitive advantage in establishing itself as an international player. During the year, Aseambankers' research was recognised by The Edge financial magazine as runner-up for Top Research House, Best Overall analysts and Best Economist whilst leading in several industry categories such as Consumer, Construction, Gaming and Oil & Gas.

Aseambankers' research expertise covers equity research (fundamental and technical), economics and fixed income. It provides investors with comprehensive economic and market knowledge and covers a broad spectrum of products, from unique "original ideas" to in-depth thematic conferences and workshops, expository economic reports and timely market presentations.

PROSPECTS

In line with the Maybank Group's vision, Aseambankers is not only focused on expanding its investment banking business locally but also in markets where Maybank is already present. Further, Maybank's strategy for regional expansion will provide opportunities in these countries and enable Aseambankers to leverage on the existing Group presence internationally to strengthen its foothold in investment banking activities.

INSURANCE BUSINESS

OVERVIEW

Etiqa offers all types and classes of Life and General conventional insurance as well as Family and General Takaful plans through multi-channel distributions. It has a strong agency force comprising 18,000 agents with a total of 51 branches domestically. In addition, Etiqa has a wide bancassurance and bancatakaful distribution network, with more than 370 Maybank branches and other third-party banks. Etiqa also has strong business networking with cooperatives, brokers, institutions, providing full accessibility and total convenience to customers, as part of the Maybank Group. Etiqa's strong financial standing puts it in good stead to achieve its aspiration as the No. 1 insurer in Malaysia by FY2009.

FINANCIAL PERFORMANCE

For FY2008, the Insurance & Takaful Sector recorded a combined gross premium/contribution of RM3.2 billion, a 19% decline compared to the previous year. The decline was mainly due to the lower take up rate for single premium investment products during the year.

Excluding the effect of single premium products, the gross premium/ contribution of Life/Family business grew 15%, mainly contributed by Takaful and Agency distribution.

The gross premium/contribution of General business grew 3%. The enterprise general portfolio grew 4% despite softening market circumstances.

For the first time, the Takaful business exceeded the RM1 billion gross contribution. The Takaful business contributed 32% to the top line, an increase from 22% last year.

The combined entities of the Insurance & Takaful Sectors registered a profit before tax of RM355 million. The Takaful entity is an important profit contributor to the Group with profit before tax of RM87 million, a growth of 83% against the previous year, supported by significant improvement in claims.

The General business portfolio maintained its market leadership in claims. The claims ratio further improved from 54.4% to 47.8%, against the industry average of 65.7%.

The expense growth of 17% exceeded the top line growth (excluding single premium), amongst others due to merger related expenses. To protect its profit growth for coming years, more focus will be given to strengthen top line growth.

MERGER UPDATES

The three year merger programme between Mayban Fortis Holdings Berhad, Malaysia National Insurance Berhad (MNI) and Takaful Nasional Sdn Berhad has completed two thirds of its journey and is moving into the last year of its key milestone.

A total of 160 merger initiatives were initially introduced. To date, all initiatives due for completion have been successfully implemented.

The remaining 20 projects due by the 2009 are primarily IT related and those having a dependency from these IT systems.

VALUE CREATION FROM MERGER

Besides achieving the goal of becoming the National Insurance Champion, the merger aspires to double the entity's profitability by FY2009, with more than RM150 million in value to be created.

The merger has been experiencing value creation above the original planned figures. As at June 2008, the registered value creation from the merger was RM133 million, against the projected RM122 million.

MAJOR ACHIEVEMENTS IN FY2008

With the implementation of the Merger Masterplan which is the blueprint of the programme, key milestones achieved during FY2008 include the transfer of businesses for Mayban Takaful Berhad into Takaful Nasional Sdn Berhad, realisation of "One Organisation" with all head office operations centralised at Dataran Maybank and a successful rebranding of the enlarged entity to Etiqa.

PROSPECTS

The Insurance & Takaful industry will continue to be exciting and challenging in FY2009. The identified five pillars of focus will entrench our position to be the National Insurance Champion. The five pillars will also provide fresh growth momentum to our business by improving our portfolio, brand leadership, service excellence, human capital development and value management based on Return on Risk Adjusted Capital.

We did not embark on any significant international acquisitions during the year. However, as outlined in our long term strategy, apart from accelerating organic growth, we will continue to evaluate various acquisition opportunities to accelerate international business expansion in order to boost our presence overseas and spread our geographical earnings base.

INTERNATIONAL

OVERVIEW

The Maybank Group has an international presence in 13 countries. The latest addition is in Pakistan where Maybank acquired a 20% stake in MCB Bank in June 2008. In addition, two other acquisitions, of An Binh Bank in Vietnam and Bank Internasional Indonesia in Indonesia, are pending completion. These three acquisitions are part of Maybank's long term strategy to expand in high growth regional economies with growth potential in the banking arena.

In Singapore, having been accorded the Qualifying Full Bank (QFB) status, Maybank operates one of the largest networks of branches and ATMs amongst foreign banks. It also has a sizeable network of 45 branches in the Philippines. Apart from these countries, Maybank has a presence in key Asian growth countries such as Vietnam, Cambodia, China and Indonesia as well as the financial centres of Hong Kong, London and New York. Other countries where Maybank has a presence are Brunei Darussalam, Bahrain, Papua New Guinea and Uzbekistan.

FINANCIAL PERFORMANCE

The International operations of the Group contributed 19% of the Group's profit before tax for FY2008. Loans growth continued to expand strongly at 27.2%.

In Singapore, where Maybank has established itself as a niche player in the business and corporate investment banking market, it also provides a wide range of consumer products and services such as home loan packages, hire purchase, third party insurance and unit trust distribution. During the financial year, Maybank Singapore continued its impressive track record of strong business growth and profitability, recording a profit before tax of SGD237.4 million, an increase of 48.1% compared to the previous year. Loans and deposits of Maybank Singapore stood at SGD15.4 billion and SGD16.5 billion respectively as at June 2008, a growth of 23.2% and 12.2%

respectively compared to FY2007. Maybank Singapore accounts for about three quarters of our overseas loan portfolio.

In Cambodia, Maybank opened a new branch in FY2008, and has plans to expand the network by another three in FY2009, increasing the number of branches there to five. Cambodia is a country with vast growth potential and opportunities and this is evidenced by Maybank Cambodia recording a strong profit before tax of USD4.9 million for FY2008, a 40.8% increase from the previous year. Loans and advances grew 44% to USD54.4 million while deposits grew 24.4% to USD124.3 million. It also launched a home loan product in May 2008 to tap the increasing demand in the property market.

ACHIEVEMENTS AND AWARDS

Maybank has continued to strive for excellence in its international units be it in the form of producing innovative products and services, providing the very best in customer service or being a good corporate citizen.

Maybank Singapore, being the Group's largest overseas unit, continued to be at the forefront of achievement in these areas. During the year, Maybank Singapore introduced Posh treats, the first bank in Singapore to launch an exclusive Porsche reward programme for its Platinum card customers to increase utilisation and recruit new card members. Maybank Family and Friends Platinum MasterCard was launched as the first card in Singapore to offer a 5% cash rebate at a wider range of merchants in Singapore and Malaysia, catering to families and their friends.

STRATEGY AND INITIATIVES

Maybank is continuously seeking to improve and expand its international network. While seeking to capture growth and benefits from our recent acquisitions within the region, Maybank will also place emphasis on organic growth.

Apart from the planned expansion of the branch network in Cambodia, Maybank is exploring the option of opening additional branches in the Philippines, Papua New Guinea, Vietnam and China; apart from penetrating markets in Asia where the Group is currently not present. In summary, we will continue to employ a strategy of building scale, scope and skills in our international operations.

In line with our plans to expand our network in Cambodia, Maybank has embarked on a project to implement ATM services there by September 2008. A total of 10 ATM units will be installed at various branches under Phase 1. Under Phase 2, Cambodia will be linked to our Regional Switch which allows inter-country transactions involving five countries namely Malaysia, Singapore, Philippines, Brunei and Cambodia.

The main objectives of the Tigerhub Project is to streamline and improve processes. To capitalise on our expertise, Maybank has identified international Trade Finance back room processing to be centralised and handled by the Kuala Lumpur Trade Processing Centre. Maybank International Labuan has been identified as a pilot location for this project and it is expected to roll-out in November 2008.

PROSPECTS

The year ahead will be a challenging year for global financial institutions in general. The current financial crisis affecting most of Maybank's overseas markets may moderate slightly the current growth trajectory which has been steadily built up over the last few years. Given its established international network, Maybank is in a position to re-allocate its resources into markets where the outlook is still positive. There will be opportunities to tap despite a turbulent environment and Maybank will endeavour to sustain its growth momentum in the years ahead.

Human Capital development

BUILDING AND STRENGTHENING OUR INTERNATIONAL PRESENCE

Over the years with the sustained growth of the Group, particularly as Maybank looks to expand in the regional and international scene, management of human capital is identified as one of the key focus areas for continued investment.

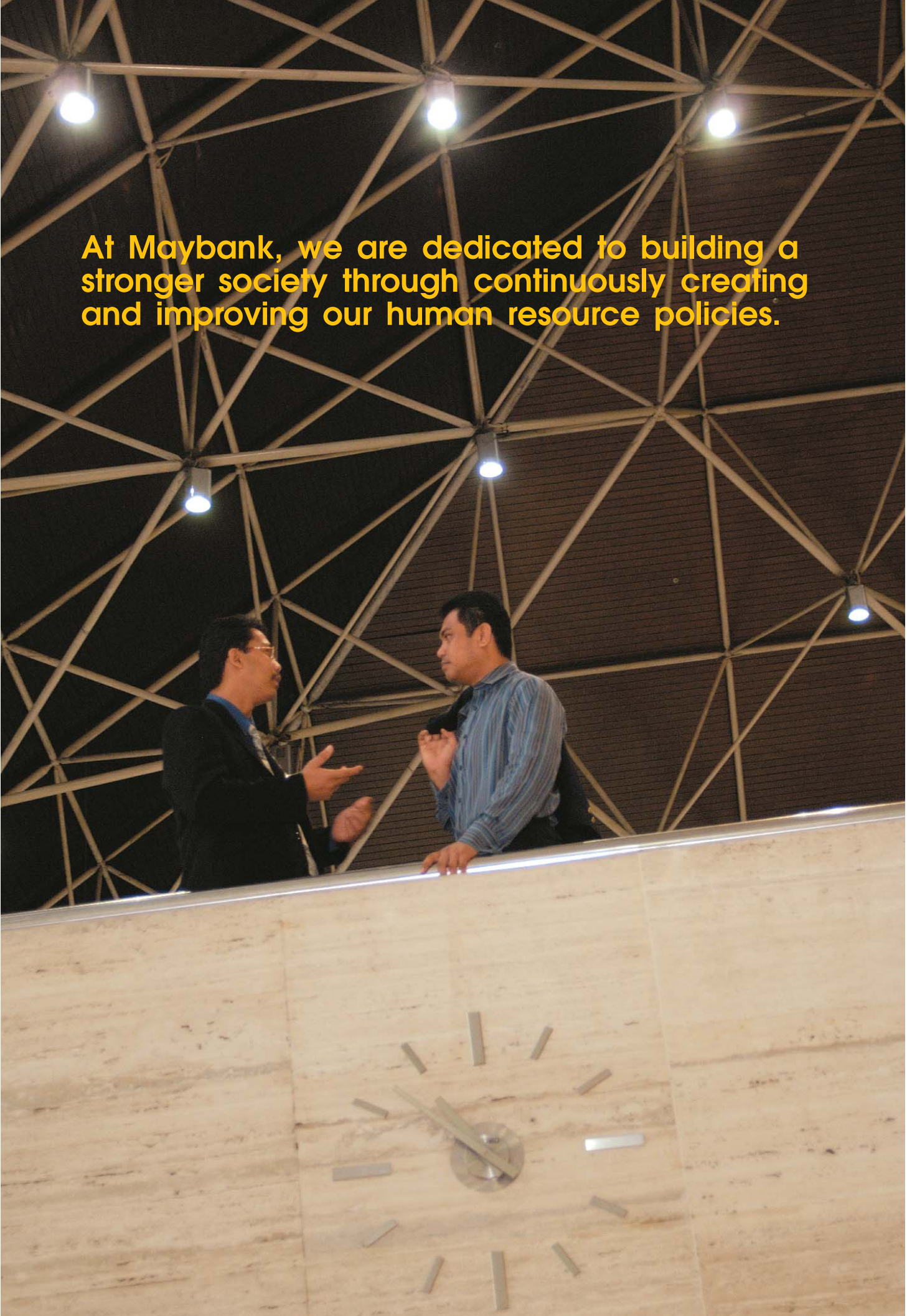
Maybank recognises that employees are driven by different sets of motivation. Monetary compensation is no longer the most important consideration when choosing an employer. Feedback suggests that employees look at the whole package that an employer has to offer which can ultimately increase their self-worth. Apart from monetary compensation, leadership team, organisational culture, opportunities for development, access to continuous learning, conducive work–environments and work-life balance activities are important considerations for our employees. At Maybank, we are dedicated to building a stronger society through continuously creating and improving our human resource policies.

GEARING HUMAN CAPITAL TOWARDS BUSINESS EXCELLENCE

Maybank promotes and celebrates a high performing corporate culture and diverse workforce. Compensation philosophies and practices are constantly evaluated to ensure that these are fair, competitive and market-driven in order to attract, motivate and retain our employees. Maybank's differentiated reward plans have been designed to meet the business specific needs and have been benchmarked against best practices locally and globally. Apart from our comprehensive and tailor-made rewards system that aligns pay to performance, we have over the years rolled out and implemented our Group-wide recognition and appreciation programmes vide our long service awards, staff recognition awards and employee share schemes as part of our efforts to cultivate an appreciative culture in the organisation.

BUILDING CAPABILITY THROUGH DEVELOPMENT AND LEARNING

Several clear career paths and development plans have been designed with the objective of attracting, retaining and building future capabilities of human capital to enable Maybank to capture and retain the best talents in Malaysia and from abroad. Moving forward, with its regional expansion plan, Maybank will continue to focus on employees' career progression with a sustained focus on identifying and nurturing potential leaders through the various human capital development programmes.


At Maybank, we are dedicated to building a stronger society through continuously creating and improving our human resource policies.

The year in review also saw Maybank actively participating in career fairs both locally and abroad to source for new talent for its Management Associate Programme. With a comprehensive leadership and talent management framework, and through the implementation of a robust Maybank Management Associate Programme, we are confident of a consistent and effective approach to leadership development and retention.

Learning and development programmes are also key areas of attention to ensure employees are fully equipped with the right knowledge, capability and skills to excel and steer the Group. Maybank works towards achieving speed to competency for mass skill upgrading with the objective of creating a competent workforce and ensuring supply of leadership bench strength through cultivating a continuous learning culture. Our commitment to this is evident from the fact that for the last financial year a total investment of RM55.95 million was made for this purpose. Apart from classroom training, Maybank has its own online learning management system which is a primary solution to provide a scalable and systematic means of assessing as well as raising the competency and performance levels throughout the Maybank Group. With this online system, employees have the flexibility of learning at anytime, any place and at any pace. In addition to our online learning system, in advocating workplace collaboration and knowledge management, Maybank has also invested in a Group-wide Enterprise Portal to enable our employees to have immediate and easy access to information that is pertinent to their job functions. Apart from being an efficient way of sourcing and repositing information, the portal also provides collaborative capabilities that allow our employees to connect with one another. Maybank is cognizant that all efforts and resources to enhance collaboration and build a base of knowledge workers will help enhance productivity levels, streamline business processes, and improve overall business agility and responsiveness to the marketplace.

ENGAGING, NURTURING AND ENERGISING THE WORKFORCE

Maybank has employees from diverse educational backgrounds, geographical locations, races and religions. Maybankers operate synergistically as one effective team joined by a set of common core values. These core values – *Teamwork, Integrity, Growth, Excellence & Efficiency and Relationship Building,* act as a beacon to guide our people in the way they do business as well as deal and operate with all stakeholders. These values aim to create greater cohesiveness, a strong sense of belonging and pride in the organisation. The same values are also reflected in the way our employees contribute to the community. In giving back to the community, Maybank has in place an employee volunteer programme through one of its Corporate Social Responsibility (CSR) initiatives, namely the home adoption programme called "Cahaya Kasih Maybank". The year in review saw Maybank employees taking time out from their personal and work schedules to participate in charitable activities at the adopted homes. The levels of enthusiasm shown by the Maybank volunteers are a reflection of them living out the values of Maybank.

In reinforcing its commitment and promise to employees, Maybank constantly evaluates workplace practices to be in line with its values. The effectiveness of the workplace practices are gauged and assessed by employees. One of the key ways that Maybank solicits feedback is through the annual Employee Engagement Survey. The survey entitled "My Voice" is to help management understand the areas to further develop and increase engagement among employees. This assessment is also extended to the regional and international operations of Maybank, to ensure the Group's benefit and employment offerings are aligned to the changing employment deals and different work cultures. The results of the survey are used at an organisational level and functional level to initiate improvements.

In the final analysis, testament to all of Maybank's efforts to cultivate and flourish employee engagement is the honorable mention in the Prime Minister's Corporate Social Responsibility Award for Outstanding Work in Workplace Practices 2007.

There is ongoing effort to make investments and improvements to provide a conducive and safe workplace environment for our employees to excel and thrive. Various programmes and campaigns under the flagship of the Occupational Safety & Health Section (OSH) like healthy lifestyle campaigns and health talks were initiated to educate employees on how to maintain a sense of well-being. Through the successful implementation of Maybank's OSH management system and the many initiatives, Maybank has emerged as the Gold Award Winner for the OSH Excellence Award 2007 under the finance, insurance and real estate category in July 2007.

At Maybank, improvements are a way of life as the organisation recognises that only through improvements and positive change can it excel in the fast-paced business environment of the 21st century and strengthen its global foothold.

Corporate Responsibility

Maybank continued to engage with stakeholders and the community, demonstrating the priority placed on good corporate responsibility. The Group focuses on building enduring relationships through value creation for stakeholders. Its vision to become a leading regional financial services group guides and shapes its corporate responsibility efforts. In the financial year under review, over RM75 million was set aside in support of corporate responsibility efforts undertaken across the Group.

In its outreach to society, the Group ensures consistent implementation of programmes that are built in a sustainable and holistic manner.

GOVERNANCE

The Bank advocates a culture of excellence, high degree of good governance, transparency, integrity and accountability as well as ensuring the highest level of professionalism. Respect and care are accorded to stakeholders in business activities and interactions with stakeholders. The Bank is guided by its Code of Ethics and Conduct which stipulates the sound principles which guide all Maybank employees in discharging their duties and sets out the standards of good banking practice.

The core values place emphasis on people who are ethical and with the highest level of integrity. There is segregation of duties of business units and support functions to avoid conflict of interest.

As the country's largest financial services group, Maybank has an important role in the development of the nation as well as in the community it serves.

The Group's corporate responsibility with regard to business objectives are mutually reinforcing with its corporate social responsibility focus, underlining the Bank's belief that a stable and high standard of social life and well cared-for physical environment will contribute to a robust and positive business environment.

In the year under review, Maybank received several local and international awards. Three awards were specially in recognition of Maybank's corporate responsibility –

In the financial year under review, over RM75 million was set aside in support of corporate responsibility efforts undertaken across the Group.

Maybank Director Datuk Zainun Aishah Ahmad (Centre) receiving the Malaysian Business CSR Award from the then Deputy Minister of Finance, Dato' Dr Ng Yen Yen.

the CSR Award by Malaysian Business, an Honourable Mention in the Prime Minister's CSR Award for Best Workplace Practices and the Gold Award for OSH Excellence.

CORPORATE RESPONSIBILITY IN BUSINESS OPERATIONS

In its business relationships, Maybank has an internal policy against unethical lending to businesses whose activities may have a negative environment impact and this is reflected in its assessment for financing. There is therefore the criterion of engagement with customers practicing good ethical business and social practices and who are committed to the enhancement of social and environmental best practices.

In the area of public interest, Maybank continues to support the national development agenda. It has ensured that its operations network extends even to non-urban areas where Maybank is often the only bank to offer its service. About 70% of the Maybank branch network lies in semi-urban and non-urban areas. In fact, Maybank is the only bank present in 22 rural areas in Malaysia.

Over the last three years, the Bank has borne costs of more than RM1.15 billion to serve over 1 million basic banking customers who enjoy banking services, free of additional charges.

The Bank has also provided banking services to all levels of society and within reach of all Malaysians through its extensive delivery channels with over 2,700 ATMs installed in strategic locations providing convenience to over 8 million customers. Its internet banking services as well as phone and mobile banking further extend such convenience to all customer segments.

The Bank offers free or nominal charges for many of its internet banking services to promote greater electronic and cashless transactions for Malaysians to bridge the IT divide in promoting online banking.

Maybank also supports programmes of many business partners. Among the sponsorships this year was PNB's Unit Trust Week, The Siemens Charity Run and The Edge/Bursa Malaysia Rat Race.

CSR COMMITMENT

In line with the philosophy of *"Growing with Responsibility"*, Maybank's investment in corporate social responsibility programmes are fully supported and endorsed by the Board of Directors and Management. Management reports to the Board on a monthly basis, the Bank's CSR activities and is responsible to implement a specific line of approving authority, control and monitoring for financial support of such activities.

The Bank receives requests for sponsorship support from various organisations including NGOs, educational institutions, professional bodies and charities.

Maybank with the largest delivery channels and branch network in the nation has successfully offered its network to several organisations for online fund raising to benefit various humanitarian programmes. A special account is created in Maybank and donations can be channelled into the account. Our delivery channels such as branches, ATMs and internet banking portal have been used to support fund raising campaigns during natural disasters, such as the Tabung Gempa Nusantara Maybank-Utusan and Tabung Bantuan Banjir TV3. Maybank does not charge for the use of its channels for such CSR activities. Its regional branches and international operations also participate in CSR programmes in the community they serve.

EMPLOYEE ENGAGEMENT

The Group recognises the diverse talents of its human capital and adopts a holistic approach in its human resource policies and management of its human capital. Maybank received an Honourable Mention for Outstanding Work in Best Workplace Practices in the Prime Minister's CSR Awards in 2007. It also received the Gold Award for OSH Excellence. The Human Resources Quality Management System (QMS) requirements is certified by MS ISO 9001:2000.

Business Excellence & Employee Benefits

The Maybank Group Staff Welfare Fund provides financial and welfare assistance to employees in times of need. During the year, employees affected by the floods received financial support from the Fund.

Employee Engagement Survey (EES)

The EES showed an improved favourable score from 74% in 2007 to 77% in 2008. The EES is to gauge employees' engagement with the Group on areas such as leadership and managerial effectiveness, culture and values, career planning, workplace, communication, rewards and recognition, performance management, customer centricity and other work related issues. The EES continues to be an important feedback to enable the Group to strategise its business as well as human resource policies.

Training

The Bank invested over RM55 million in the last financial year for its learning and development programmes to enhance the skills of its employees and equip them with the right knowledge. The Average Learning Days KPI requirement for each employee was 48 hours. In total 170,123.13 learning days were registered making an average of 7.5 learning days per employee. The on-line self learning programmes saw an increase in the range of subjects covering, professional as well as personal self development. To improve the leadership qualities of its employee, a total of 1,020 managers participated in the Integrated Management Development Programme in Achieving Transformation (IMPACT), an internationally recognised Management Programme developed by IBM.

Safety & Health

During the year, Maybank received the Gold Award for Occupational Safety and Health (OSH) Excellence. The Bank organised several campaigns under its OSH programmes namely, lifestyle and health campaigns, well being programmes, volunteerism for blood donations as well as implementing OSH procedures alongside the Bank's Business Continuity Plan at branches that were affected by floods. During the year, the Bank provided financial assistance to employees who were affected by the floods in Pahang and Kelantan.

To promote greater work-life balance among employees, Maybank has set up an employee volunteerism programme under its Cahaya Kasih Programme. The Programme has more than 5,000 volunteers and has a long-term commitment with the Ministry of Women, Family & Community Development to adopt seven homes nationwide, namely Rumah Kanak-Kanak Tengku Ampuan Fatimah (Kuantan), Rumah Kanak-kanak Kota Kinabalu, (Kota Kinabalu), Rumah Kanak-kanak Tengku Budriah, (Kuala Lumpur), Taman Sinar Harapan (Kuala Kubu Bharu), Taman Sinar Harapan Jubli (Johor Bahru), Sekolah Tunas Bakti Kuching (Kuching) and Sekolah Tunas Bakti (Penang).

Maybank is the only bank with a First Aid Standby Team at Menara Maybank to provide emergency medical assistance to employees and the public. The promotion of a healthy lifestyle among employees extends to the provision of extensive sports and recreational facilities at the Maybank sports complex in Bangi. In addition, Maybank maintains a number of holiday accommodation units which are made available to employees to enjoy the facilities.

The annual Maybank Games is also an activity to promote better team spirit and a healthier lifestyle for staff. More than 3,000 employees participated in the 2007 Games.

ENGAGING WITH THE COMMUNITY

The Bank recognises its CSR role in the community and adopts a policy of providing support that will benefit a wider group. The core areas of support are for:

- Health and Medical causes
- Charity Support and Community Development
- Education and Learning
- Conservation & Environmental Protection
- Art & Culture
- Sports Development

Health and Medical

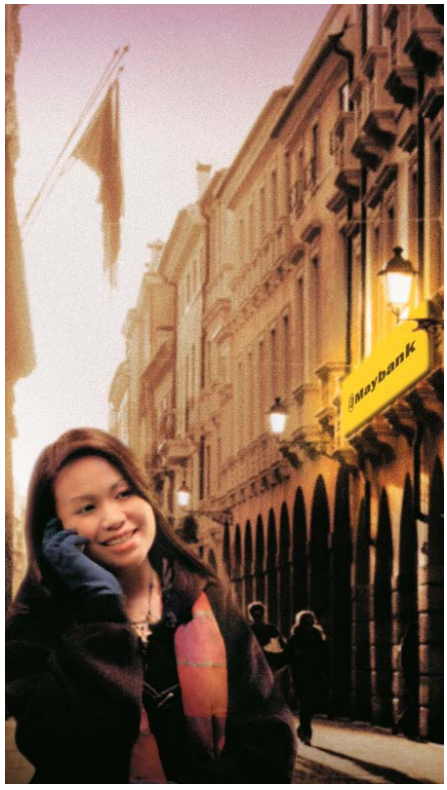
The Maybank Group Welfare Fund makes annual contributions for the purpose of critically needed medical equipment to public hospitals or needy organisations as part of efforts to support the provision of healthcare facilities for the community. This fund, established in 1990 with an initial sum of RM1 million was later increased to RM2 million. Income generated from this fund each year is used for welfare activities.

The Maybank Bone Marrow Transplant Centre at Hospital UKM as well as the Liver Transplant Centre in Hospital Selayang which were established with the support of Maybank, continue to benefit members of the public.

Charity Support and Community Development

The Cahaya Kasih programme with the Ministry of Women, Family & Community Development saw regular monthly activities by Maybank volunteers in the seven welfare homes nationwide. During the year, employees also contributed items in kind such as reading materials, food, clothing, shoes, writing materials and other personal products for residents of the homes. Activities organised included the upgrading of computer facilities, purchase of library facilities and musical equipment, painting of the homes, telematch games, talent competition, reading and story telling, fun activities such as bowling, treats to movies, and care of infants. Employees also celebrated festive occasions with residents at the Homes.

To celebrate Malaysia's 50 years as a nation in 2007, Maybank joined in with corporate Malaysia and the community to hold programmes in celebration of our diversity and rich heritage. Maybank was principal coordinator leading the financial sector contingent in the Merdeka Parade.



Maybank was also the principal sponsor of the campaign "Our Vision for the Nation" with a contribution of RM350,000. This campaign gathered at least 1 million vision statements from children nationwide indicating their aspirations for the nation. Donations made for each submission were channelled to 10 charities led by Yayasan Harapan Kanak-Kanak Malaysia.

The Group also continued its practice of holding annual festive celebrations for the community. A meaningful Hari Raya celebration was done in collaboration with Islamic Relief Malaysia, an international Islamic organisation and the Welfare Department to contribute food and personal items costing about RM70,000 to hardcore poor families in Kedah, Perak and Johor. Maybank volunteers assisted in the distribution of gifts to 1,000 families.

Maybank also participated in the Ministry of Women, Family and Community Development's Rahmat Ramadhan programme by donating food to the underprivileged and also contributed to the Armed Forces for its festive gift packs to personnel on duty.

Another RM30,000 was channelled to Persatuan Daybreak, Ipoh for its CSR Project to sponsor the training of two physically challenged persons for eventual employment in the market place. Needy school children in Bandar Tun Razak, Kuala Lumpur also received free school bags sponsored by the Bank for the year-end 'Back to School' programme.

The Group also provided sponsorships for numerous projects undertaken by other welfare organisations which included Yayasan Pendidikan Prihatin Malaysia, ERA Consumer Malaysia and the Malaysian Society for the Deaf.

NST-MAYBANK VOLUTEERS GIVE FLOOD VICTIMS A HELPING HAND

Volunteers pitch in to clean up school

By M. Hamzah Jamaludin
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NST-MAYBANK COMMUNITY ASSIST

MARAN: Clad in bright yellow T-shirts and armed with brooms and mops, the first group of Maybank and New Straits Times volunteers offered their services at a flood-hit area here yesterday.

Twenty-five Maybank officers and several NSTP employees were involved in the gotong-royong programme at Sekolah Kebangsaan Paya Pasir which was badly affected by the recent floods.

Leading the gotong-royong programme were Education Minister Datuk Seri Hishammuddin Hussein and Menteri Besar Datuk Seri Adnan Yaakob.

"Our staff, who are members of the Maybank Cahaya Kasih' team, have come early so as not to miss the programme," said Maybank's regional representative for Pahang, Terengganu and Kelantan, Yusoff Ghani.

Among others, the volunteers helped clean the mud-covered teaching aids and various equipment.

"It's good that we can help clean this school as the new term is just around the corner," said Yusoff, who was busy sweeping the school's compound.

Also in the group were NST reporter M. Hamzah Jamaludin and Berita Harian Pahang bureau chief Sariha Mohd Ali.

Yusoff later presented food and essential items worth RM50,000 for the flood victims in Pahang to Deputy Menteri Besar Datuk Tan Mohd Amiruddin Ishak at the Maran district office.

Under the NST-Maybank Community Assist Programme, the volunteers will bring aid to flood victims, especially in the east coast of Peninsular Malaysia.

Both companies will mobilise their employees to volunteer at relief centres and provide ground assistance.

Relief supplies, such as food, water, personal care items, daily necessities as well as school uniforms, shoes and bags will be distributed to these areas.

Other forms of assistance will be rendered based on individual needs and after assessing the flood situation in the country.

The NST had undertaken a flood relief mission to Johor in January with a team of volunteers comprising employees and readers of the newspapers under its stable.

The eight-day mission saw volunteers helping out 25,000 victims at 60 temporary relief centres in and around Batu Pahat, which was the worst-hit area in the state.

Volunteers clearing the mud at Sekolah Kebangsaan Paya Pasir, Maran, yesterday. — NST picture by Azmaidi Abidin

Etiqa, the insurance business of Maybank donated RM160,000 to Yayasan Kebajikan Suria in Perak to build a surau for the children of the welfare home.

In December, Maybank in collaboration with Utusan Malaysia initiated the Tabung Gempa Nusantara Utusan-Maybank to assist those affected by the earthquake in Sumatera. Over RM1 million was collected.

Maybank continued to assist those affected by natural disasters in Malaysia and was the first bank to offer financial relief in January 2008 to customers and victims affected by the floods. The measures included moratorium relief of six months to those having consumer and automobile financing loans, business loans, credit cards and insurance policies as well as deposit products of Maybank. In addition to this relief assistance, Maybank, under its National Flood Relief Programme disbursed about RM200,000 in aid for flood victims in Pahang and Kelantan, which include food items, toiletries, school uniforms, shoes, socks, bags and cash. Employees under the Cahaya Kasih Programme joined in with the New Straits Times to assist flood victims in the affected states.

Education and Learning

The annual Maybank Group Children Academic Excellence Award disbursed over RM200,000 to 390 children of employees of Maybank Group who excelled in their public school examinations last year. The Bank also spent close to RM2 million for its academic and scholarship awards under its Scholarship Awards scheme. The scholarships are offered to those pursuing undergraduate studies in local universities and successful scholars will be offered carrer opportunities in Maybank upon graduation. To date, the Bank has sponsored over 1,000 Maybank scholars. Last year, the scholarship scheme was extended for the first

time to include science, engineering and law students apart from the traditional banking related courses.

As part of Maybank's efforts to encourage excellence among students, the Bank continued to provide cash incentive rewards for *Yippie* and *Imteen* account holders who excel in their school and university public examinations.

During the year, Maybank contributed to the Yayasan Tun Ismail Mohamad Ali to help in its educational programmes for the needy.

The Bank is also involved in the *'PINTAR'* programme through the adoption of two schools in Penang. A total of RM150,000 was allocated for 2007 to help upgrade the educational resources at these schools including supplying personal computers as well as sponsoring computer classes and tuition for the students.

Maybank continued to support various other educational organisation including the Perdana Leadership Foundation, International Centre for Education in Islamic Finance (INCEIF), Asian Strategy & Leadership Institute, Malaysia, Malaysian Institute of Management and the Malaysian-Japan Economic Association.

CONSERVATION & ENVIRONMENTAL PROTECTION

Maybank actively supports the conservation of wildlife with annual sponsorship of tigers at Zoo Negara, Zoo Taiping and Zoo Melaka as well as fish owls in Zoo Negara.

The Bank's support of environmental protection is also applied through its business processes, supporting organisations which adhere to environmental and ethical standards.

In its day-to-day operations, the Bank encourages environmentally friendly processes such as recycling of paper, use of electronic mail as well as energy saving practices for lighting and air-conditioning. It has also implemented centralised printing to reduce the use of individual printers and consumables.

Art and Culture

In the development of art and culture, Balai Seni Maybank established in 1988, has hosted numerous art exhibitions by local as well as foreign artists. Over the years, it has engaged the art community in 'art with a heart' exhibitions by raising funds for several organisations through charity exhibitions.

Balai Seni Maybank hosted an exhibition by the Photographic Society of Petaling Jaya (PSPJ) as part of its 20th anniversary celebrations. The exhibition with the theme 'Through the Lens of PSPJ' was a collaboration between Maybank, Nikon Malaysia and HP Malaysia featuring some of the best images taken by PSPJ's members. Proceeds from the sale were contributed to charity.

Maybank's Numismatic Museum at its head office remains the only such museum set up by a commercial bank showcasing the nation's rich numismatic history. Admission to this museum is free and it attracts visitors on a daily basis including tourists, locals and students.

Sports Development

For the third year, Maybank continued to be the principal sponsor of the Maybank Malaysian Golf Open, an international sporting event that combines sports and tourism promotion. The Open is one of the most prestigious international golf tournaments in Asia which carries world-ranking points and global viewership. The sponsorship of this event saw a global audience of over 350 million households and created greater awareness of Malaysia as a destination for world-class golfing and host of international events. Maybank also sponsored the Maybank-MGA Junior Camp for children in November 2007.

The Maybank sports complex in Bangi opened its facilities to national squads and sports clubs for training purposes as part of the Bank's efforts to promote development of sports in the country.

DELIVERING
optimum financial solutions

Making sure we surpass our customers' expectations

through constant innovation and enhancing service delivery.

INTRODUCTION

Malayan Banking Berhad ("Maybank" or "the Bank") and its Group of Companies ("the Group") are cognizant of the fact that successful companies are valuable not only to their shareholders and stakeholders but also to the larger community, including the government, social and business organisations, and the individuals who benefit from the services and wealth generated by these companies. A company's board is accordingly ultimately responsible for ensuring that the right leadership, strategy and internal controls are in place in order to produce and sustain the delivery of the said values. A robust and well thought-out corporate governance practices are essential key pre-requisites towards the effective and successful achievement of such values.

The Board of Directors of Maybank ("the Board") believes that good corporate governance should not, however, be a mere statement of compliance. It should aim to achieve the highest standards of business integrity, ethics and professionalism across all of the Group's activities, and should be upheld and endorsed by the Board and the organisation as a whole. The Group further acknowledges the importance of corporate governance in enhancing stakeholders' value, increasing investors' confidence, establishing customers' trust and building a competitive organisation to support the Group's corporate vision of being the first choice financial partner in the target markets and countries that the Group serves.

Whilst the Board considers that the Group is already in compliance with the new revised Malaysian Code on Corporate Governance ("the Code"), Bank Negara Malaysia's Revised Guidelines on Corporate Governance for Licensed Institutions ("BNM/GP1") and other relevant regulatory changes such as the Bursa Malaysia Securities Berhad's Listing Requirements ("Listing Requirements"), the adoption of other recommendations on corporate governance in the Group's practices, in particular the "Green Book on Enhancing Board Effectiveness" ("Green Book") initiated by the Putrajaya Committee on GLC High Performance as part of the Government Linked Companies Transformation Programme, is further testimony to the strong commitment of the Board to the highest standards of corporate governance. By discharging its duties professionally and effectively, including primarily by ensuring high corporate governance standards continue to be practised throughout the Group, shareholders' value is likely to be further protected and enhanced, and the financial performance and growth of the Group be better promoted and sustained.

The Board of Maybank is pleased to inform the shareholders on the manner in which the Group has applied the Principles of the Code and the extent of compliance with the Best Practices of the Code, pursuant to Paragraph 15.26 of the Listing Requirements, throughout the financial year ended 30 June 2008.

EFFECTIVENESS OF THE BOARD OF DIRECTORS

Board Composition and Balance

As the largest banking group in the country, the crucial importance of a continuous and effective guidance and direction of its Board of Directors is firmly acknowledged. It is therefore only proper that particular attention is given to the composition and balance of the Board to ensure that it embodies the necessary experience of the sector and regulatory environment in which it operates, and the appropriate business, financial and risk management skills. The Board considers objectivity and integrity, as well as the relevant skills, knowledge, experience, mindset and ability, necessary to assist the Board in discharging its roles and responsibilities, as the pre-requisites for each appointment of a new director on the Board of Maybank. The directors' relevant background ensures that they have the understanding of the fiduciary duties and responsibilities of the Board of Directors and the ability to better appreciate the industry within which Maybank operates, as well as its current and future competitive environment.

The Board currently has ten (10) members, comprising two (2) executive directors and eight (8) non-executive directors, of whom five (5) are independent. The current composition of the Board is in compliance with Chapter 1.01 of the Listing Requirements as half of its members are independent directors. A brief profile of each member of the Board is presented on pages 44 to 47 of this Annual Report. The composition of the Board fairly reflects the interest of the majority shareholder, which is adequately represented by the appointment of its nominee directors without compromising the interest of the minority shareholders. The influence of the nominees of the major shareholder of Maybank is balanced by the presence of the independent directors on the Board whose collective views carry significant weight in the Board's deliberation and decision-making process. In this regard, the interest of the minority shareholders is well safeguarded as half of the composition of the Board comprises of independent directors. These five (5) independent directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group so that they are capable of exercising independent judgement and act in the best interest of the Group and its shareholders.

The Board has also considered its size pursuant to BNM/GPI which states that the Board should determine the appropriate size of itself and in determining the size, appropriate consideration should be given to enable an efficient and effective conduct of board deliberation. Pursuant to the retirement of three (3) independent directors at the previous Annual General Meeting ("AGM") and the subsequent appointment of new members, the Board is satisfied that the current size comprising ten (10) members is reasonable and adequate to enable the Board to discharge its function in a professional manner in consideration of the size, breadth and complexity of the Group's business activities, domestically as well as internationally. The Board's view is also in line with the Green Book that recommends that the composition of the board should be no larger which ten (10) directors but also states the number of directors can be up to twelve (12) if the situation warrants it.

The Board believes that the quality of its directors, each of whom offers relevant experience and skills, ensures that they are able to challenge, develop and drive the Group's vision and strategy, and that the governance standards are continuously upheld. The Chairman will always ensure that the Board's decisions are based on consensus of the majority, and any concern or dissenting view expressed by any director on any matter deliberated at the meeting of the Board or any of its Committees as well as the meeting's decision, will accordingly be recorded in the relevant minutes of meeting.

Roles and responsibilities of the Board

The Board has the responsibility to approve and periodically review the overall business strategies and significant policies of the Bank. It evaluates the views of the senior management by carrying out thorough examination of the Group's present and future strategic directions. The Board is also responsible for ensuring that senior management maintains and refreshes its system of internal control that provides satisfactory assurances of its effectiveness and efficiency, in relation to operations, internal financial controls, and compliance

with the relevant laws and regulations. The Board's primary responsibilities are, amongst others, as follows:-

- Review and approve the strategic business plans for the Bank and Group;
- Identify and manage principal risks affecting the Group;
- Review the adequacy and integrity of the Group's internal control system;
- Oversee the conduct of the Group's businesses;
- Approve the appointments and compensation of key management staff;
- Approve new policies pertaining to staff salary and benefits;
- Approve changes to the corporate organisation structure;
- Approve the appointments of directors and directors' emoluments and benefits in accordance with relevant statutes; and
- Approve policies relating to corporate branding, public relations, investor relations and shareholder communications programmes.

Role and Responsibilities of the Chairman and the President & Chief Executive Officer ("CEO")

The roles and responsibilities of the Chairman and the President & CEO are clearly separated, defined and documented for approval by the Board. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach and attendant authority limits also facilitates efficiency and expedites informed decision making.

Chairman

The Chairman of Maybank is a non-executive director who together with the rest of the Board, is responsible for setting the policy framework within which senior management is to work, and ensures that the Board supports the strategy formulated by the Bank and monitors its implementation.

The Chairman ensures orderly conduct and working of the Board, where healthy debates on issues being deliberated are encouraged to reflect any appropriate level of scepticism and independence. The Chairman also ensures that each board resolution is put to a vote to ensure that the decision is made collectively and reflects the will of the majority.

The Chairman takes the lead to ensure the appropriateness and effectiveness of the succession planning programme at the Board and senior management levels. He also promotes a healthy working relationship with the President & CEO and provides the necessary support and advice as appropriate. The Chairman demonstrates the highest standards of corporate governance practices and ensures that these practices are regularly communicated to the stakeholders.

The President & CEO

The President & CEO of Maybank is primarily responsible for overseeing the day-to-day operations to ensure the smooth and effective running of the Group. He is responsible for mapping the medium to long term plans, and implementing the policies and decisions of the Board, as well as coordinating the development and implementation of business and corporate strategies, specifically by making sure that they are carried through to their desired outcomes especially in the institution of remedial measures to address identified shortcomings. He is also responsible for developing and translating the strategies into a set of manageable goals and priorities, and setting the overall strategic policy and direction of the business operations, investment and other activities based on effective risk management controls.

The President & CEO ensures that the financial management practice is carried out at the highest level of integrity and transparency for the benefit of the shareholders and that the business and affairs of the Bank are carried out in an ethical manner and in full compliance with the relevant laws and regulations. His other responsibilities include ensuring that whilst the ultimate objective is maximising shareholders return, the social and environmental factors are not being neglected, and also developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees, and providing effective leadership to the organisation. He is also responsible for ensuring

management competency including the emplacement of an effective succession plan to sustain continuity. The President & CEO, by virtue of his position also functions as the intermediary between the Board and senior management.

Senior Independent Director

Further to the clear separation of the roles and duties between the Chairman and President & CEO, the Board has identified and appointed Haji Mohd Hashir bin Haji Abdullah as the Senior Independent Director ("SID") of the Board to whom concerns of shareholders and stakeholders may be conveyed.

The SID may be contacted at the following address:-

Senior Independent Director
c/o: Corporate & Legal Services
14th Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Board Appointment Process

There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which has been delegated to the Nomination Committee. The Nomination Committee comprises exclusively of non-executive directors, the majority of whom are independent. This composition ensures that any decisions made are impartial and in the best interest of the Group. Guided by the Group's Policy on Fit and Proper Criteria for Appointment as Chairman, Directors and Chief Executive Officers of Licensed Institutions in Maybank Group ("Fit and Proper Policy") and in line with BNM/GP1, the Nomination Committee recommends to the Board suitable candidates for directorships and the appointment of senior personnel of the Bank and its subsidiaries. The Nomination Committee also ensures candidates satisfy the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed as director in accordance with the Fit and Proper Policy.

The Fit and Proper Policy acts as a guide for the Nomination Committee and the Board to determine the overall suitability of a candidate to be appointed to the Board. The Fit and Proper Policy outlines the attributes and qualifications of a candidate to determine his suitability, as well as amongst others, his management and leadership experience, which ought to be at the most senior level in a reputable local or international financial services group or professional body. In respect of the candidate's skills, expertise and background, he should ideally and to the extent available, possess a diverse range of skills, including, in particular, business, legal and financial expertise, professional knowledge and financial industry experience, as well as experience in regional and international markets.

The Fit and Proper Policy is also critical as a guiding mechanism to identify the gaps in skills of the composition of the Board. Further to the directors' annual assessment exercise and in accordance with the Fit and Proper Policy (where non-executive directors of Maybank who have reached the age of 75 and above, and those who have served the Board for 12 years and more are to submit their resignation letter annually to the Nomination Committee six months before the AGM), the Board had decided that it needed to refresh its composition with the appointment of new directors. This was successfully accomplished with the retirement of three (3) independent non-executive directors at the last AGM and the appointment of four (4) new directors, namely Tan Sri Dato' Sri Chua Hock Chin and Datuk Syed Tamim Ansari bin Syed Mohamed in October 2007, both non-executives, and Dato' Aminuddin bin Md Desa and Dato' Sri Abdul Wahid bin Omar, both executives, in January 2008 and May 2008, respectively.

The Policy on the Nomination Process for the Appointment of Chairman, Director and CEO of Licensed Institutions in the Group sets out a clear and transparent nomination process on the same. The nomination process involves the following five (5) stages:-

(i) identification of candidates;

(ii) evaluation of suitability of candidates;

(iii) if found suitable, the authorised representative of the Nomination Committee to meet with candidates;

(iv) final deliberation by the Nomination Committee; and

(v) recommendation by the Nomination Committee to the Board of Maybank or the relevant subsidiaries.

Upon the approval by the relevant Board, the application for the appointment of such candidates would thereafter be submitted to Bank Negara Malaysia for the requisite approval under the Banking and Financial Institution Act, 1989 ("BAFIA") and the Insurance Act, 1996.

The appointment process for executive directors includes the identification process of potential candidates by a special Committee of the Board based on the description on the expectation of the roles and capabilities required by the Board. This is subsequently followed by a submission to the Nomination Committee for deliberation and ultimately, the final recommendation to the Board for approval.

Annual Board Assessment

One of the broad responsibilities of the Nomination Committee is to provide a formal and transparent procedure for the assessment of effectiveness of individual directors, the Board as a whole and the performance of CEOs and key senior management officers within the Group. In line with BNM/GP1 and for this purpose, the Nomination Committee has established clear selection criteria, processes and procedures to assess each director's ability to contribute to the effective decision-making of the Board. In addition, assessment would also be undertaken to gauge the effectiveness of the Board Committees.

The Directors, Board and Peer Annual Assessment exercise was primarily based upon the answers to a detailed questionnaire which was prepared internally by the Corporate & Legal Services Division of Maybank. The assessment form would be distributed to all the respective Board members and covers topics which include, amongst others, the responsibilities of the Board, Board composition, the contributions of each and every member of the Board, the Board's decision-making and output, information and support rendered to the Board and meeting arrangements. Thereafter, the ratings and comments would be synthesised into a report and tabled to the Nomination Committee for deliberation. Subsequently, the report would be tabled for the final endorsement of the Board.

These assessment forms have been continuously refined and improved to ensure that they remain relevant and reflect the changes in the industry and standards required of the Board. The peer annual assessment exercise involves the evaluation of the performance of each and every member of the Board by their fellow directors, and the findings and results of such evaluation would only be made privy to the Chairman of the Nomination Committee and the Chairman of the Board. Further to the set benchmark of 80% in respect of total score for performance of each director as assessed by his peers, the Chairman would counsel members who achieve a score of less than 80% on areas of performance improvement.

Based on the last assessment exercise, overall, the Board has identified several gaps for improvement as follows:-

(i) To ensure better succession planning;

(ii) To ensure more effective policies on investor relations and communication with shareholders/ stakeholders and the public;

(iii) To more effectively monitor Key Performance Indicators, Scorecard and Long Term Initiatives throughout the year; and

(iv) To have better understanding in external trends, competitive threats and opportunities critical to the Group's future performance.

The Board had subsequently deliberated and approved an Actionable Improvement Programme ("AIP") which included the specific actions to be taken to address the said gaps all of which would be regularly monitored with the aim to strengthen Board engagement and overall effectiveness.

Board Meetings

The Board meets every month with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings. During the financial year ended 30 June 2008, the Board met fifteen (15) times to deliberate and consider a variety of significant matters that required its guidance and approval.

All directors have complied with the requirement that directors must attend at least 75% of Board meetings held in the financial year in accordance with BNM/GP1, and attended at least 50% of Board meetings held in the financial year pursuant to the Listing Requirements. Details of attendance of each director who was in office during the financial year ended 30 June 2008 are as follows:-

Directors	No. of meetings and attendance	Percentage of attendance
Tan Sri Mohamed Basir bin Ahmad	15/15	100%
Dato' Richard Ho Ung Hun [1]	3/3	100%
Datuk Amirsham A Aziz [2]	9/10	90%
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali [3]	3/3	100%
Mohammad bin Abdullah [4]	3/3	100%
Dato' Sri Abdul Wahid bin Omar [5]	3/3	100%
Haji Mohd Hashir bin Haji Abdullah	13/15	87%
Teh Soon Poh	15/15	100%
Datuk Abdul Rahman bin Mohd Ramli	14/15	93%
Dato' Mohammed Hussein [6]	6/7	86%
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	13/15	87%
Datuk Zainun Aishah binti Ahmad	15/15	100%
Tan Sri Dato' Sri Chua Hock Chin [7]	12/12	100%
Datuk Syed Tamim Ansari bin Syed Mohamed [8]	12/12	100%
Dato' Aminuddin bin Md Desa [9]	8/8	100%

[1] Retired as director with effect from 29 September 2007
[2] Retired as director with effect from 18 March 2008
[3] Retired as director with effect from 29 September 2007
[4] Retired as director with effect from 29 September 2007
[5] Appointed as director with effect from 1 May 2008
[6] Retired as director with effect from 30 January 2008
[7] Appointed as director with effect from 1 October 2007
[8] Appointed as director with effect from 11 October 2007
[9] Appointed as director with effect from 31 January 2008

Out of the fifteen (15) Board meetings, three (3) Board meetings were held at operations centres located outside of Kuala Lumpur and Malaysia, namely Kota Kinabalu, Singapore and Johor Bahru. These Board meetings enable the members to visit the numerous operations centres not only to provide more effective oversight but also to better understand the Group's operational needs and issues as well as to meet with the management and staff at Group and Region level at sessions and events organised in conjunction with the Board meetings. Furthermore, members are also welcomed for individual site visits, and to interact with the senior management on any particular concern.

Quality of Meeting Materials

Board Meetings for the ensuing financial year are scheduled in advance before the end of the financial year, specifically before the end of the calendar year, so as to allow members of the Board to plan ahead and fit the coming year's Board and Board Committees meetings into their respective schedules.

The Chairman takes responsibility for ensuring that the members of the Board receive accurate, timely and clear information in respect of the Group's financial and operational performance to enable the Board to make sound decision and provide the necessary advice. In this connection, the Company Secretary will assist the Chairman to ensure that the process of disseminating the information is effective and reliable. Furthermore, in order to provide for adequate

thorough discussion of the respective matters within a reasonable and sufficient time, the President & CEO together with the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevancy and importance.

Prior to each Board meeting, an agenda together with comprehensive reports for each agenda item to be discussed will be forwarded to each director at least five (5) clear days before the scheduled meeting to enable the directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting. However, papers which are deemed urgent may still be submitted to the Company Secretary after the expiry of such deadline of submission of papers to be tabled to the Board. As for highly confidential and sensitive issues to be discussed at the Board meeting, written materials would only be distributed to directors at the meeting itself, in consultation either with the Chairman or President & CEO.

Feedbacks are obtained from directors on the quality and quantity of meeting papers as part of the annual assessment of the Board's current meeting practices. Even though the format of meeting papers has been reviewed and implemented throughout the Group via the issuance of the relevant guidelines on meeting papers in November 2006, senior management continues to review and improve the format, where appropriate, to ensure comprehensive, relevant yet concise meeting papers are submitted by the originators to the Board for its consideration. The current format and structure of the Board meeting papers are such that they are designed to contain sufficient and relevant information pertaining to the business, operations and management of the Bank in a clear and concise manner to enable the directors to effectively discharge their duties under the law and in accordance with the relevant corporate governance guidelines. The format of the meeting papers includes the following:-

a) Action required by the Board – whether to approve, to provide input or merely take note;

b) The background, summary or rationale – the reason or the need for the paper to be submitted to the Board;

c) The issues and/or options – the various implications and options arising out of the proposal including key milestones and targeted completion date where applicable;

d) Conclusion and recommendation for the Board's consideration – the conclusion of what is required of the Board; and

e) Identification of the parties who prepared and reviewed the report.

At Board meetings, presentations and briefings by external consultants or advisors on relevant papers, particularly those involving complex issues are also held to assist directors to deliberate and decide on such matters. The Board also monitors the status and follow-up action on issues raised at Board meetings vide Matters Arising which is a fixed item in the meeting agenda. Minutes of each Board meeting are also circulated to all directors for their perusal prior to confirmation of the minutes before the commencement of the following Board meeting. The directors may request for clarification or raise comments on the minutes prior to the confirmation of the same.

In relation to the minutes of Board meetings, the Code requires the Board to properly record decisions made as well as all the issues discussed in arriving at the decisions. The rationale for such requirement is that it would provide a historical record and insight into those decisions, and consequently offers some protection to the director who has an alternative view. In accordance with the expectations of Bank Negara Malaysia and the continuous practice of the Group, the Bank's minutes of meeting of the Board and various Board Committees incorporate the discussions of the members at the meetings in arriving at decisions, and are concise and accurate.

Minutes of meetings of the Group Management Committee of Maybank are also circulated to directors well ahead of the scheduled Board meetings to enable the directors to review issues raised at senior management level, and to facilitate discussions at the Board meetings when the relevant matters and papers are escalated or alternatively directors can raise issues arising therefrom, as appropriate.

Quality and Supply of Information to the Board

The Board has full and unrestricted access to all information pertaining to the Group's businesses and affairs to enable it to discharge its duties effectively. Directors also have full and unrestricted access to the advice and services of the senior management and the Company Secretary of the Group. In addition to formal Board meetings, the Chairman maintains regular contact with the President & CEO to discuss on specific matters, and the latter assisted by the Company Secretary ensures that frequent and timely communication between the senior management and the Board is maintained at all times as appropriate.

Directors are also regularly updated and apprised of any new regulations and guidelines, as well as any amendments thereto issued by Bank Negara Malaysia, Bursa Malaysia Securities Berhad, Securities Commission and other relevant regulatory authorities including recommendations on corporate law reform in respect of Malaysian as well as relevant foreign jurisdictions, particularly the effect of such new or amended regulations and guidelines on directors specifically, and the Bank and the Group generally. In respect of carrying out its duties in overseeing the management of compliance risk, the Board has direct and unrestricted access to the Compliance Unit, which reports directly to the Board. The Compliance Unit was established with a mission to facilitate and promote the development of a compliance culture which is conducive to minimising regulatory risk of the Maybank Group and the resultant sanctions and reputational damage. Its core functions include Corporate Regulatory and Governance Supervision, Knowledge Management and Anti Money Laundering/Counter Financing of Terrorism (AML/CFT) regulatory compliance.

Independent Professional Advice

Individual directors may also seek independent professional advice at the Bank's expense where necessary, in the furtherance of their duties in accordance with the Bank's Policy and Procedure on Access to Independent Professional Advice, Senior Management and Company Secretary by Directors of Maybank Group. Copies of any reports, advice and recommendations provided by the independent professional adviser to a respective director, would be forwarded by the said director to the Company Secretary, who will, where appropriate, circulate them to other directors to ensure that they are kept informed of pertinent issues, which may have an impact on the Group's growth and performance.

Company Secretary

The Company Secretary is responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as the best practices of governance. He is also responsible for advising the directors of their obligations and duties to disclose their interest in securities, and of any conflict of interest in a transaction involving the Bank, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

The duties of the Company Secretary also include, amongst others, the following:-

- Attending Board and Board Committee meetings and ensuring that the proceedings of Board and Board Committee meetings and decisions made thereat, are accurately and sufficiently recorded;
- Ensuring that minutes of meetings are properly kept for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements, Bank Negara Malaysia or other regulatory requirements;
- Communicating the decisions of the Board for senior management's attention and further action;
- Ensuring all appointments and re-appointments of directors are in accordance with the relevant legislations; and
- Handling company share transactions, such as issuance of new shares and arranging for payment of dividends.

All Directors have access to the advice and services of the Company Secretary.

Structured Training Programme for Directors

All newly-appointed directors have undergone a comprehensive induction programme coordinated by the Company Secretary and the Corporate & Legal Services Division with the objective of providing the general overview of the Group's business plan, insight into main business sectors, overview of the terms of reference and activities of the Board and Board Committees and the related internal processes as well as directors' duties under the relevant rules and regulations.

All directors have attended and successfully completed the Mandatory Accreditation Programme in compliance with the Listing Requirements. Pursuant to the repeal of the requirement for the Continuing Education Programme ("CEP") prescribed by Bursa Malaysia Securities Berhad, the Board assumes the responsibility to further enhance the skills and knowledge of the members on the relevant new laws and regulations and changing commercial risks, as well as to keep abreast with developments in the financial services industry through a Structured Training Programme for Directors ("STPD"), an initiative resolved by the Board in 2006. The STPD requires that each director attend at least one training programme which is to be specifically developed by the organisation for its directors during the financial year.

For the period under review, all directors have complied with the STPD in view of their participation at the Maybank Directors' Retreat, a 2-day 1-night programme in early August 2008 at Avillion, Port Dickson. This programme had been organised by the International Centre for Leadership in Finance ("ICLIF") and the module for the programme was set based on discussions held between ICLIF, the Chairman and President & CEO. The programme covered areas on corporate governance, Basel II, compensation design, talent management, as well as case studies on directors' responsibilities and governance-related issues.

Additionally, directors have also attended several other training and seminar programmes relevant to the issues affecting the Group conducted by the authorities and relevant bodies, amongst others:-

- 2007 INCIEF Global Forum – *International Centre of Education in Islamic Finance (INCEIF)*
- Making Corporate Boards More Effective – *Charles River Centre*
- Seminar on Risk Based Capital – *Persatuan Insurans Am Malaysia*
- 3rd World Islamic Economic Forum – *World Islamic Economic Forum Foundation*
- 2007 National Conference on Internal Auditing – *Institute of Internal Auditors Malaysia*
- New Developments on the Companies (Amendment) Act 2007, Revised Malaysian Code on Corporate Governance and revised FRSs – *KPMG Malaysia*
- The Companies (Amendment) Bill 2007 – Its Impact, Implications and Aims – *Bursatra Sdn Bhd*

Re-election of Directors

All directors of the Bank, including the President & CEO, are subject to re-election by the shareholders at their first opportunity after their appointment, and are subject to re-election at least once every three (3) years, in accordance with the Bank's Articles of Association.

Directors who are due for re-election at the AGM would be first assessed by the Nomination Committee, who would then submit its recommendations to the Board for deliberation and approval. Upon obtaining Board's endorsement, the relevant submission including the justifications for such re-appointment is thereafter made to Bank Negara Malaysia for approval.

Pursuant to the Bank's Articles of Association and the Listing Requirements, the Board has agreed that one of its members would retire by rotation and stand for re-election at the forthcoming AGM. Similarly, directors who have been appointed to fill casual vacancies during the financial year and directors over the age of seventy years who are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965, have also been assessed. The Board has subsequently determined that the performance of the directors who are due for re-election and re-appointment, have continued to perform in an exemplary manner and have met the Board's expectations which includes their contribution to Board deliberations and therefore would justify the stand for re-election at the forthcoming AGM.

BOARD PROFESSIONALISM

Directorships in other Companies

Pursuant to the Listing Requirements, each member of the Board holds less than ten (10) directorships in public listed companies and less than fifteen (15) directorships in non-public listed companies. Furthermore, the directors also comply with the best practices recommendation of the Green Book which states that directors should not sit on the boards of more than five (5) listed companies to ensure that their commitment, resources and time are more focused to enable them to discharge their duties effectively.

It should be noted that even though the independent non-executive directors hold directorship in several companies in the Maybank Group, the Nomination Committee assesses the independence of the said directors pursuant to a declaration made that they are not taking instructions from any person including Maybank. In this respect, all the independent non-executive directors of Maybank had successfully complied with the relevant guidelines provided in BNM/GP1.

Company Directors' Code of Ethics

Members of the Board observe a code of ethics based on the code of conduct expected of directors of financial institutions as set out in the BNM/GP7-Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry, and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Conflict of Interest

In line with various statutory requirements on the disclosure of director's interest, it has been the practice of Maybank that members of the Board would make a declaration to that effect at the Board meeting in the event they have interest in proposals being considered by the Board, including where such interest arose through close family members. Any interested directors would abstain from deliberations and decisions of the Board on the subject proposal.

Insider Trading

In accordance with the Listing Requirements and the relevant provisions of the Capital Markets & Services Act 2007, directors, key management personnel and principal officers of the Maybank Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge which have not been publicly announced. Notices on closed period for trading in Maybank's securities are circulated to directors, key management personnel and principal officers who are deemed to have those price sensitive information and knowledge whenever the closed period is applicable.

Directors' and Officers' Insurance

Directors and officers of the Maybank Group are covered against liabilities arising from holding office as directors by virtue of the Directors' and Officers' Insurance coverage which is put in place by the Bank. The policy covers personal liability of directors and officers in the form of professional indemnity insurance, which includes any breach of trust, breach of duty, act, neglect, error, omission, misstatement, misleading statements, breach of warranty or authority committed in the respective capacities as directors or officers. Even though the directors contribute a part of the premium paid for the insurance policy annually, such policy would not provide coverage in the event the directors are proven to have acted fraudulently, dishonestly or maliciously.

DIRECTORS' REMUNERATION

The Level and Make Up of Directors' Remuneration

Directors' remuneration is generally determined at levels which would continue to attract and retain directors of such calibre to provide the necessary skills and experiences required for the effective management and operations of the Group. For executive directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. A significant portion of the executive directors' compensation package has been made variable in nature to be determined based on performance during the year against the individual Key Performance Indicators which had been set in alignment with the corporate objectives and scorecard, and had been approved by the Board.

For non-executive directors, the level of remuneration generally reflects the experience and level of responsibilities undertaken by these directors. In relation to the Bank's Employee Share Options Scheme (ESOS), allocations to directors are based on considerations such as length of service on the Board. The determination of remuneration packages for non-executive directors, including the non-executive Chairman, is a matter for the Board as a whole to consider, following the relevant recommendation made by the Remuneration and Establishment Committee. The directors concerned are required to abstain from deliberations and voting on decisions in respect of their individual remuneration, which the directors have duly complied with.

The remuneration package of the directors is as follows:-

i. Basic salary – Basic salary for executive directors is based on the recommendation of the Remuneration and Establishment Committee which considers, amongst others, the individual performance and rates of salary for similar positions in comparable companies within the same industry, and is subject to the final approval of the Board.

ii. Fees and meeting allowances – Directors' fees and meeting allowances are based on fixed sum as determined by the Remuneration and Establishment Committee and subsequently the Board, and approved by shareholders after considering comparable organisations and directors' participation in various Committees of the Board.

iii. Directors' Share Options – The executive and non-executive directors are eligible to participate in the Bank's ESOS on the same terms and conditions as those offered to employees. The Directors' dealings in share options during the year under review are reflected in the audited financial statements.

A summary of the total remuneration of the directors, distinguishing between executive and non-executive directors, in aggregate with categorisation into appropriate components for the financial year ended 30 June 2008 are as follows:-

	Salary and Bonus (RM)	Directors' Fees (RM)	Directors' Other emoluments (RM)	Benefits in kind (RM)	Total (RM)
Executive Directors					
Dato' Sri Abdul Wahid bin Omar	180,000.00	—	39,600.00	4,500.00	**224,100.00**
Dato' Aminuddin bin Md Desa	936,250.00	23,684.93	165,122.00	18,455.26	**1,143,512.19**
Datuk Amirsham A Aziz	1,990,645.16	84,354.82	2,763,010.73	22,765.28	**4,860,775.99**
Dato' Mohammed Hussein	1,397,741.94	57,692.33	978,512.93	97,699.16	**2,531,646.36**
TOTAL					**8,760,034.54**
Non-Executive Directors					
Tan Sri Mohamed Basir bin Ahmad	—	132,500.00	374,904.86	35,800.00	**543,204.86**
Dato' Richard Ho Ung Hun	—	32,943.99	40,113.77	—	**73,057.76**
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali	—	36,051.91	33,475.71	—	**69,527.62**
Mohammad bin Abdullah	—	36,051.91	34,975.71	—	**71,027.62**
Haji Mohd Hashir bin Haji Abdullah	—	143,743.16	93,475.71	—	**237,218.87**
Teh Soon Poh	—	134,357.92	96,475.71	—	**230,833.63**
Datuk Abdul Rahman bin Mohd Ramli	—	137,486.34	84,475.71	—	**221,962.05**
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	—	131,229.50	24,000.00	—	**155,229.50**
Datuk Zainun Aishah binti Ahmad	—	142,431.70	57,750.00	—	**200,181.70**
Tan Sri Dato' Sri Chua Hock Chin	—	97,322.41	25,500.00	—	**122,822.41**
Datuk Syed Tamim Ansari bin Syed Mohamed	—	93,770.48	30,000.00	—	**123,770.48**
TOTAL					**2,048,836.50**
GRAND TOTAL					**10,808,871.04**

Board Committees

The Board delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of references primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

BOARD OF DIRECTORS					
COMMITTEES OF THE BOARD					
Audit Committee	Credit Review Committee	Remuneration and Establishment Committee	Nomination Committee	Risk Management Committee	Employee Share Option Scheme Committee

Audit Committee

The Audit Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and members of the senior management of the Group. The activities carried out by the Audit Committee during the year under review are summarised in the Audit Committee Report and its Terms of Reference as stated in pages 128 to 131 of this Annual Report.

Credit Review Committee

The Credit Review Committee is tasked by the Board generally to review all loan applications of a certain sum approved by the Credit Committee of the senior management as well as to approve the writing off of credit and operational items, which amount exceeds senior management's authority limit.

In relation to the proposals which would need the final approval by the Board, these proposals would be reviewed by the Credit Review Committee, prior to being recommended to the Board. The Credit Review Committee is also entrusted to review any director and staff-related loans as well as policy loans.

The Credit Review Committee meets weekly and comprises the following members:-

Name of members	No. of meetings and attendance
Tan Sri Mohamed Basir bin Ahmad (Chairman)	39/50
Tuan Haji Mohd Hashir Haji Abdullah	43/50
Teh Soon Poh	47/50
Datuk Abdul Rahman bin Mohd Ramli	43/50
Datuk Zainun Aishah binti Ahmad [10]	32/37
Dato' Sri Abdul Wahid bin Omar [11]	7/8

[10] Joined as a member with effect from 1 October 2007
[11] Joined as a member with effect from 6 May 2008

The specific responsibilities of the Credit Review Committee include, amongst others, the following:

(i) To review all loans approved by the Credit Committee in respect of applications for fresh or additional facilities, escalated to the Credit Review Committee for review and renewal of loan applications;

(ii) To approve write-off of credit and operational items as well as to note all loans approved by the Credit Committee; and

(iii) To review, with powers to object or to support, proposals recommended by the Credit Committee to the Board for approval including but not limited to statute and policy loans.

Remuneration and Establishment Committee

The Board has delegated to the Remuneration and Establishment Committee the overall responsibility of recommending an effective human resource strategy, including initiatives for the development and management of human capital with the objective of attracting, developing and retaining the best talent for the Group.

The Remuneration and Establishment Committee is also responsible for providing a formal and transparent procedure for developing a remuneration policy for directors, President & CEO and key senior management officers and ensuring that the compensation is competitive and consistent with the Bank's culture, objectives and strategy.

The composition of the Remuneration and Establishment Committee comprises non-executive directors of whom the majority are independent. The Remuneration and Establishment Committee meets at least once in every quarter with additional meetings convened to attend to urgent matters that require its deliberation. The members of the Remuneration and Establishment Committee and the attendance for the year under review are as follows:

Name of members	No. of meetings and attendance
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman) [12]	9/9
Datuk Abdul Rahman bin Mohd Ramli	11/12
Datuk Zainun Aishah binti Ahmad [13]	9/9
Tan Sri Dato' Sri Chua Hock Chin [14]	7/9
Mohammad bin Abdullah [15]	3/3
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali [16]	3/3
Teh Soon Poh [17]	3/3

12 Appointed as Chairman with effect from 1 October 2007
13 Appointed as member with effect from 1 October 2007
14 Appointed as member with effect from 1 October 2007
15 Retired as Chairman with effect from 29 September 2007
16 Retired as member with effect from 29 September 2007
17 Ceased to be a member with effect from 29 September 2007

The specific responsibilities of the Committee include, amongst others, the following:

(i) To recommend to the Board a Performance Management framework/ model, including the setting of appropriate performance target parameters and benchmark for the Group Balanced Scorecard at the start of each financial year;

(ii) To recommend to the Board, a learning strategy for the Group, including learning programmes for executive directors of Maybank and a Leadership Development framework for the Group;

(iii) To recommend to the Board, the organisational structure and commensurate job grades and ranges for employees in the Group; and

(iv) To recommend to the Board the remuneration package, the compensation and benefits policies, and the Terms and Conditions, including the job grade for senior management officers.

Activities Undertaken During the Year

The Committee had deliberated key matters during the financial year, which include, amongst others, the following:-

- Deliberation and recommendation on compensation package for appointments of key management positions across the Maybank Group.
- Deliberation on the quantum of compensation based on the performance assessment of members of senior management of the Group for the financial year 2007/2008.
- Review of the Compensation Framework & Long Term Incentive Plan Design and the cost-benefit analysis for Maybank Group.
- Deliberation and recommendation on the Maybank Group Variable Bonus Plan.
- Review of the Flexi-Benefit Plan and the cost-benefit analysis for the employees of Maybank Group.
- Review of the Terms of Reference of the Remuneration & Establishment Committee.

Nomination Committee

The Nomination Committee is vested with the broad responsibility to provide a formal and transparent procedure for the appointment of directors and senior management officers as well as assessment of effectiveness of individual directors, the Board as a whole and the performance of CEOs and key senior management officers within the Group.

The Nomination Committee comprises non-executive directors, the majority of whom are independent. Meetings are held as and when required for the Nomination Committee to deliberate on related matters. The members of the Nomination Committee and the attendance for the year under review are as follows:

Name of members	No. of meetings and attendance
Tuan Haji Mohd Hashir bin Haji Abdullah [18]	8/8
Datuk Abdul Rahman bin Mohd Ramli	7/8
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	8/8
Datuk Zainun Aishah binti Ahmad [19]	6/6
Datuk Syed Tamim Ansari bin Syed Mohamed [20]	6/6
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali [21]	2/2
Mohammad bin Abdullah [22]	2/2

18 Appointed as Chairman with effect from 1 October 2007
19 Appointed as member with effect from 1 October 2007
20 Appointed as member with effect from 11 October 2007
21 Retired as Chairman with effect from 29 September 2007
22 Retired as member with effect from 29 September 2007

The specific responsibilities of the Committee include, amongst others, the following:

(i) To recommend to the Board suitable persons for appointment as Board members of Maybank and its subsidiary companies and to oversee the general composition of the Board (taking into account the size, skill and balance between executive directors and non-executive directors);

(ii) To recommend to the boards of relevant subsidiaries the appointment, confirmation, promotion and termination of CEOs of subsidiaries which are regulated by Bank Negara Malaysia which require their appointments to be approved by Bank Negara Malaysia;

(iii) To recommend to the Board the appointment of the CEO and key senior management of the Group;

(iv) To assess the performance and effectiveness of individual and collective members of the Boards of the Group, its subsidiaries and the respective Board Committees, as well as to recommend to the Board measures to upgrade the effectiveness of the Boards and Board Committees;

(v) To review the performance of the Board members of Maybank and its subsidiary companies and consider the procedure for the assessment thereof, and to recommend measures to upgrade the effectiveness of the Boards;

(vi) To review the individual contribution of each director to the effectiveness of the Board and to consider the procedure for the assessment thereof, as well as the performance of the CEO and the key management personnel; and

(vii) To ensure that all directors receive appropriate and continuous training to keep abreast with the latest development in the industry.

Activities Undertaken During the Year

The Committee had deliberated key matters during the financial year, which include, amongst others, the following:-

- Deliberation and recommendation to the Board on the appointment of new directors, the new President & CEO and CFO (both executive directors) and the key senior management of the Group.
- Deliberation of the results of the Annual Directors, Board and Peer Assessment exercise throughout the Maybank Group and recommendations on the actionable improvement programme to the Board.
- Review of the composition of the Board, Board Committees and Boards of subsidiaries within the Group.
- Review and deliberate on the re-election and retirement of directors at the AGM and on the re-appointment of directors submitted to Bank Negara Malaysia.
- Deliberation and recommendation to the Board on the Balanced Score Card and Long-Term Initiatives for the financial year 2008/2009 for the President & CEO and key senior management of the Group.

- Deliberation on the performance assessment of the President & CEO and key senior management of the Group.
- Review of the Terms of Reference of the Nomination Committee.

Risk Management Committee

The Risk Management Committee has been entrusted by the Board to assume responsibility for the Group's risk oversight and any approved policies and frameworks formulated to identify, measure and monitor various risk components amongst others, credit risk, market risk, liquidity risk and operational risk would be reviewed and recommended by the Risk Management Committee to the Board.

Additionally, the Risk Management Committee reviews and assesses the adequacy of these risk management policies and ensures infrastructure, resources and system are emplaced for risk management.

The Risk Management Committee meets at least once in every quarter with additional meetings convened to attend to urgent matters that require its deliberation. The majority of the Risk Management Committee's members are independent non-executive directors and their attendance for the year under review is as follows:

Name of members	No. of meetings and attendance
Teh Soon Pooh	9/9
Tuan Haji Mohd Hashir bin Haji Abdullah	7/9
Datuk Zainun Aishah binti Ahmad	9/9
Datuk Syed Tamim Ansari bin Syed Mohamed [23]	7/7

23 Appointed as member with effect from 11 October 2007

The specific responsibilities of the Risk Management Committee include, amongst others, the following:

(i) To review and approve risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits;

(ii) To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;

(iii) To ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities;

(iv) To review and assess the appropriate levels of capital for the Bank, vis-a-vis its risk profile;

(v) To review and recommend strategic actions to be taken by the Bank arising from Basel II implementation for the Board's approval; and

(vi) To review and approve new products and ensure compliance with the prevailing guidelines issued by BNM or other relevant regulatory body.

Activities Undertaken During the Year

The Committee had deliberated key matters during the financial year, which include, amongst others, the following:-

- Discussion on Enterprise-wide Risk Report in relation to Risk Scenario Review and Group Key Risk Indicators ("KRI").
- Discussion on progress updates on Basel II Implementation for Maybank Group.
- Review of benchmark set by rating agencies on Enterprise Risk Management Best Practices compared with Maybank Group Current Practices.
- Discussion on Research Reports on Risk Management Best Practices.
- Benchmarking of Credit Risk Management Framework and Policies at Group Entities.
- Approval of new products which includes housing loans issued by Maybank Phnom Penh Branch, Cambodia.

Employee Share Option Scheme (ESOS) Committee

The Board has delegated to the Employee Share Option Scheme (ESOS) Committee the responsibility to determine all questions of policy and expediency arising from the administration of ESOS and to generally undertake the necessary to promote the Bank's best interest.

The Employee Share Option Scheme Committee is also tasked to review the rules and regulations relating to ESOS and to ensure the Scheme is implemented in accordance with the Bye-Laws, amongst others, in respect of the terms on eligibility, the offer and date of offer, basis of allotment, termination and appeals.

All members of the Employee Share Option Scheme Committee are independent non-executive directors. Meetings are held as and when the Employee Share Option Scheme Committee is required to deliberate on urgent matters. The members of the Employee Share Option Scheme Committee and their attendance for the financial year under review are as follows:

Name of members	No. of meetings and attendance
Tan Sri Dato' Megat Zaharuddin bin Mohd Nor [24]	1/1
Datuk Abdul Rahman bin Mohd Ramli [25]	1/1
Datuk Zainun Aishah binti Ahmad [26]	1/1
Tan Sri Dato' Sri Chua Hock Chin [27]	1/1
Dato' Richard Ho Ung Hun [28]	N/A*
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali [29]	N/A*
Mohammad bin Abdullah [30]	N/A*

24 Appointed as Chairman with effect from 1 October 2007
25 Appointed as member with effect from 1 October 2007
26 Appointed as member with effect from 1 October 2007
27 Appointed as member with effect from 1 October 2007
28 Retired as Chairman with effect from 29 September 2007
29 Retired as member with effect from 29 September 2007
30 Retired as member with effect from 29 September 2007

** There was no meeting held during their tenure as members of the Committee in the financial year under review.*

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

Investor relations ("IR") is an important means of communications that provide more transparency and accountability to shareholders, stakeholders, investors and investments community generally, both in locally and internationally. Maybank is committed to maintaining effective and open communications with all of them and recognises it as a must-have channel to provide appropriate, timely and comprehensive information to all interested parties.

Maybank has a strong following amongst domestic and international institutional investors, fund managers and equity research analysts. IR provides an important and interactive means of communication with more than 30 sell-side analysts who actively have coverage on Maybank in addition to numerous buy-side analysts and fund managers. Apart from the statutory public statements released to the exchange, Maybank also maintains a website, www.maybank2u.com, to provide updates on current developments and information about the Group. During the year, it began to make available analyst presentations slides on the website, which marks another step towards enhancing transparency and greater disclosure. In addition, the Board approved an Investor Relations Policy during the year to enable appropriate communications to all stakeholders.

For further information or queries on Investor Relations matters, the following Management personnel may be contacted:-

- **Hazimi Kassim**, *Head, Corporate & Strategic Planning*
  Contact: 03-2074 8101
  Email: hazimik@maybank.com.my
- **Lit Wye Phang**, *Head, Financial & Business Analysis*
  Contact: 03-2074 8270
  Email: litwp@maybank.com.my
- **Raja Indra Putra Raja Ismail**, *Head, Economic Services & Investor Relations*
  Contact: 03-2074 8582
  Email: rajaindra@maybank.com.my
- **Celina May Benjamin**, *Head, Corporate Affairs & Communications*
  Contact: 03-2072 1416
  Email: celina@maybank.com.my

The Group conducts specific briefing sessions and conference calls for investment analysts, fund managers as well as local and foreign media for the announcement of the Group's financial results and updates on significant corporate developments and strategic initiatives.

Management personnel who are also responsible for IR activities meet regularly with equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis as well as host teleconferences with them. This is again a reflection of the commitment of the Group to achieve a high level of communication and transparency with its shareholders and the investment community.

During the period under review, the Group participated and made presentations at investment seminars held in Kuala Lumpur, Singapore, Hong Kong, New York and London, and together with others individual meetings, conducted more than 250 meetings with fund managers and analysts. In addition, reputable rating agencies such as Rating Agency Malaysia, Standard and Poor's, FitchRatings and Moody's Investors Services are updated about the Group on an ongoing basis and during annual ratings reviews. This is to ensure an independent flow of information to the stakeholders as well as to the general public.

Media coverage on the Group and senior management is initiated proactively at regular intervals to provide wider publicity and improve the understanding of the Group's business.

General Meetings

The Group's Extraordinary General Meeting ("EGM") and AGM represent the primary platform for direct two-way interaction between the shareholders, Board and Management of the Group. In keeping with the deference to shareholder democracy and the transparency policy adopted by the Group, shareholders' approval is required on all material issues including, but not limited to, the election and appointment of directors, material mergers, acquisitions and divestments exercises, as well as the appointment of Auditors and dividend payments.

The attendance of shareholders at the Group's general meetings has always been high as evidenced by the presence of about 1,600 shareholders at the AGM for financial year ended 2006/2007 despite the institutional bias in the investor base. In addition to the AGMs and EGMs, shareholders and market observers are also welcome to raise queries at anytime through the Corporate Affairs and Communications and Corporate and Strategic Planning Divisions.

Ownership Structure

The shares of Maybank are widely held with institutional shareholders dominating the ownership structure of Maybank. As at 30 June 2008, the top three (3) shareholders are Skim Amanah Saham Bumiputra (ASB) with 44.68%, Employee Provident Fund Board with 9.68% and Permodalan Nasional Berhad (PNB) with 6.46% and accounting for a combined 60.82%.

Although the three (3) top shareholders of Maybank accounted for more than half of the total paid up share capital of Maybank, Maybank is not subject to any biased influence from these shareholders and they do not hold management positions within the organisation. This arrangement ensures a high level of corporate governance and permits the Group to focus on continuously building value for all its shareholders.

Maybank's shareholding structure is transparent and is disclosed on pages 326 to 327 of this Annual Report. Any updates on the shareholding structure can be obtained on request from the designated management personnel on Investors Relations matters. The existing share structure consists entirely of Common Shares and there are no classes of Common Shares. There is no foreign shareholding limit and the Memorandum and Articles of Association does not have any explicit provision(s) that may discourage any acquisition. However, the Bank is subject to BAFIA which contains certain restrictions on share ownership.

As part of Maybank's effort to expand its liquidity and shareholder base, it has established a Sponsored Level 1 American Depository Receipt Programme (ADR) which is traded Over-the-Counter in United States of America since May 2005 on the basis of 1 ADR equivalent to 2 Maybank shares. Maybank Custody Services (MCS) is the appointed custodian for The Bank Of New York Mellon (BNYM) and the total number of ordinary shares held for Maybank ADR Programme is 7,445,339 as at 30 June 2008 compared to 4,068,300 in the previous year. The percentage of the shares issued under the ADR against Maybank's issued and paid-up capital is 1.08%.

MCS is the leading custodian for the ADR Programme in Malaysia including the Maybank ADR issued by BNYM, the depository bank for the Maybank ADR Programme. MCS has been accorded "Top Rated" by the Bank's foreign clients and "Commended" by the Bank's domestic clients' rating in the 2007 Emerging Markets Agent Bank Review of the reputable publication, Global Custodian.

Apart from the above, Global Finance (another reputable publication) has also named Maybank as the world's best sub-custodian bank 2008 for Malaysia – an independent world class recognition upon input from expert sources, the editor and reporters selected the winners from institutions in 47 countries that reliably provide the best custody services in local markets and regions of the global custodians.

ACCOUNTABILITY AND AUDIT

Financial Reporting and Disclosure

The Board has a fiduciary responsibility and took it upon them to present to the shareholders and the public at large, a clear, balanced and meaningful evaluation of the Group's financial positions, performance and prospects. In order to meet the fiduciary responsibility expected of the Board, the Board with the assistance of the Audit Committee oversees the financial reporting process and the quality of the Group's financial statements to ensure that the reports present a true and fair view of the Group performance.

The Board also ensures that the financial treatment of the consolidated accounts under the Group is based on the more stringent requirements and that the financial statements of Maybank are in compliance with the Malaysian Accounting Standards Board's (MASB) requirements, which are in accordance with the International Accounting Standards (IAS).

The scope of the disclosures includes review of the main sources of revenue by business activity and geography, past year performance analysis, financial adequacy, together with detailed explanation of the changes in the Balance Sheet and Profit and Loss Statement, to facilitate better understanding of the Group's operations. In addition to the Audited Report, the Group also releases its unaudited quarterly financial results which are accessible on Maybank and Bursa Securities' websites.

Directors' Responsibility Statement in respect of the preparation of the Annual Financial Statements

The Board is responsible for ensuring that the financial statements of the Group gives a true and fair view of the state of affairs of the Group and of the Bank as at the end of the accounting period and of the profit and loss and cashflow for the period then ended.

In preparing the financial statements, the directors have applied suitable accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The directors have also ensured that all applicable accounting standards have been followed and prepared financial statements on the going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and of the Company have adequate resources to continue in operational existence for the foreseeable future.

The directors also have responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Bank and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965. The directors generally have the duty to take such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Internal Controls

The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, operational and compliance controls and risk management to ensure shareholders' investments, customers' interests and the Group's assets are safeguarded. The Directors' Statement on Internal Control set out on pages 124 to 126 of this Annual Report provides an overview of the state of internal control within the Group.

Relationship with the Auditors

As per the industry practice, the Group Internal Audit regularly audits the internal control practices and reports significant findings to the Audit Committee with the recommended corrective actions. Thereafter, the Management is held responsible for ensuring that all these corrective actions on reported weaknesses are undertaken within an appropriate time frame. The Minutes of the Audit Committee are subsequently tabled to the Board for notation and served as reference especially if there were pertinent issues that the Committee wish to highlighted to the Board.

The Audit Committee and the Board maintain great emphasis on the objectivity and independence of the Bank's Auditors, namely Messrs. Ernst & Young, in providing the relevant and transparent reports to the shareholders. As a measure of ensuring full disclosure of matters, the Bank's Auditors are regularly invited to attend the Audit Committee Meeting as well as the AGM, apart from the twice yearly discussions with the Audit Committee without the presence of the Management. A full report of the Audit Committee outlining its role in relation to the internal and external auditors is set out on pages 128 to 131 of this Annual Report.

Maybank Group's Code of Ethics and Conduct

Apart from the Directors' Code of Ethics as set out in the BNM/GP7-Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry, and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia, the Group also has a Code of Ethics and Conduct that sets out the sound principles and standards of good practice in the financial services industry, which are observed by its employees. Employees are required to uphold the highest integrity in discharging their duties and in dealings with customers, fellow employees and regulators. This is in line with the Group's Core Values which give emphasis on behavioural ethics when dealing with third party and fellow employees.

The Group communicates the Code to all employees upon commencement of their employment and is deemed to be part of the Terms and Conditions of Service. Further details of the Code of Ethics and Conduct can be found on page 123 of this Annual Report.

This statement is made in accordance with a resolution of the Board dated 27 August 2008.

Tan Sri Mohamed Basir bin Ahmad
Chairman of the Board

OVERVIEW OF RISK MANAGEMENT APPROACH

The Maybank Group believes in adopting a strong and integrated risk management approach to ensure the overall financial soundness and stability of the Group's operating business model. Key components of our enterprise risk management framework include a structured risk governance model, incorporating strong Board and Senior Management oversight, sound capital management processes; comprehensive assessment of material risks; a rigorous system of check and balance reviews, regular monitoring and reporting; and independent reviews by internal auditors, external auditors and the relevant supervisory authorities.

Over the past few years, the Group's Basel II programme has acted as a major catalyst for the enhancement of risk management practices within the Group, further embedding the risk culture and best practice methodologies in the Group's operations.

Moving forward, the Group will continue to invest extensively to ensure that comprehensive risk management policies and tools and advanced risk systems infrastructure are established at both the Group and subsidiary entities for the systematic identification, measurement, monitoring and control of all material risks faced by the Group. This vision shall ensure that a sound risk and control culture remains embedded at all levels in our business model even as the banking industry evolves in a dynamic manner.

RISK GOVERNANCE STRUCTURES

The Group views that strong risk governance is essential as the foundation for successful risk management.

In line with Bank Negara Malaysia (BNM)'s guidelines on corporate governance, the Board of Directors has overall risk oversight responsibility and is actively assisted by the following Board and Management risk committees:

- Risk Management Committee (RMC) of the Board
- Credit Review Committee (CRC) of the Board
- Executive Risk Committee (ERC)
- Asset and Liability Management Committee (ALCO)

The ERC was set up during 2006 as a dedicated executive-level risk committee to review all risk areas with the exception of market and liquidity risks which remain under the purview of the ALCO.

HOLISTIC ENTERPRISE RISK MANAGEMENT (ERM) APPROACH

The Group takes a holistic and integrated view of risk management across the various entities within the Group. We view the ERM process as a structured and disciplined approach to align strategy, policy, process, people and technology with the specific purpose of evaluating all risks as the Group seeks to create shareholder value.

This vision is reflected by the adoption of the RMC-approved 7 Broad Principles of Risk Management by the various Group entities to ensure integration in purpose, policy, methodology and risk culture.

One of the 7 principles, the "three lines of defence" concept serves to embed an enterprise risk management (ERM) process in the whole Group involving all organisational units from business development, support teams, centralised risk management units to internal audit.

7 BROAD PRINCIPLES OF RISK MANAGEMENT

1. The risk management approach is premised on the three lines of defence concept – risk taking units, risk control units and internal audit.

2. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.

3. Risk Management provides risk oversight for the major risk categories including credit, market, liquidity, operational and other industry-specific risk types (eg insurance and stock-broking risks).

4. Risk Management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.

5. Risk Management is functionally and organisationally independent of business sectors and other risk taking units within the Group.

6. The Maybank Board, through the Risk Management Committee, maintains overall responsibility for the risk oversight function within the Group.

7. Risk Management ensures the execution of various risk policies and related decisions of the Board.

THREE LINES OF DEFENCE CONCEPT		
First Line of Defence	**Second Line of Defence**	**Third Line of Defence**
• Business Units • Support Units	• Risk Management Units • Compliance Unit	• Internal Audit

Under the "Three Lines of Defence" concept, the risk taking units, acting as the first line of defence, shall have primary responsibility for managing specific risks assumed by them in their day-to-day activities.

In the second line, centralised Risk Management unit provides the specialised resources for developing risk frameworks, policies, methodologies and tools for the management of material risks taken by the Group as a whole. Our strategic risk management mission is to provide the appropriate frameworks and methodologies for the effective management of enterprise-wide risks in the Group in order to protect and enhance shareholder value.

Finally, activities pertaining to internal control reviews and audit programmes are undertaken by the internal audit team, providing independent assurance on the whole ERM process.

CREDIT RISK DEFINITION

Credit risk arises as a result of customers or counter-parties not being able to or willing to fulfill their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Bank.

CREDIT RISK IDENTIFICATION FRAMEWORK

- The Group places strong emphasis in creating and enhancing credit risk awareness among all lending personnel within the Group. Credit Risk awareness programmes are conducted regularly to create a risk aware culture and empower staff with the capability to identify and manage credit risks more effectively.
- Selection and training of lending personnel is considered a key process in the management of credit risk. Newly appointed lending personnel are required to undergo comprehensive credit training programmes and are required to sit for the Certified Credit Professional examination conducted by Institute of Bankers Malaysia. Credit training programmes are also conducted to enhance the skills of existing lending personnel.
- There are efforts to improve the knowledge of lending personnel by leveraging on knowledge sharing tools including e-learning courses to enhance credit skills within the Group. This knowledge transfer is pertinent to ensure that the Group's credit standards are always maintained.

- The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While business units are responsible for credit origination, the credit approving function rests mainly with the Office of the Chief Credit Officer (CCO) who is independent from the business units. The CCO chairs the Credit Committee, which serves as the executive forum for discussion of and decision on business loans.
- For credit risk oversight, the Credit Risk Management Unit (CRM) is responsible for developing, enhancing and communicating an efficient, effective and consistent credit risk management framework across the Group, leveraging on people, process and technology. This is to ensure that the Group has in place appropriate credit policies to identify, measure, control and monitor such risks. The risk parameters for accepting credit risk are clearly guided by policies within this framework so that a well diversified asset quality portfolio can be maintained.
- CRM also identifies credit risk in the new product sign off process and ensures new products (prior to marketing) are acceptable from a credit risk management perspective. Approval by RMC is required prior to product launch.
- The Group believes that the authority limit for credit approval should be directly related to the risk levels of the borrower and transaction. In this respect, a Risk-Based Authority Limit structure had been implemented. The authority limit structure is structured based on the expected loss framework and leveraged on the Group's internally developed Credit Risk Rating System (CRRS).
- The Group also adopts a risk-based differentiated processing workflow whereby business loans with good ratings are escalated directly to approving parties for decision.

MANAGEMENT OF CREDIT RISK

Corporate and institutional credit risks are assessed by business units and approved by an independent party from the Group Credit Management Unit (GCM). Each customer is assigned a credit rating. The rating is based on the assessment of relevant factors including customer's financial position, types of facilities and securities offered.

Consumer credit risk is managed on a portfolio basis. Scoring models and lending templates are used and these tools focus on lending to individual customers with similar characteristics and/or product needs.

Corporate credits are constantly being monitored to identify and detect signs of credit deterioration. Reviews are conducted at least once a year with updated information on customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken should the account shows signs of credit deterioration.

To manage large exposures, the Group has in place, amongst others, the following concentration limits and related lending guidelines to avoid undue concentration of credit risks in its loan portfolio:

- Countries
- Business Segments
- Economic Sectors
- Single Customer Groups
- Banks & Non-Bank Financial Institutions
- Counterparties
- Collaterals

To manage cross-border exposures, country limits with sub-limits on types of facilities and businesses are imposed. Country limits are determined based on economic and political factors and applying local business knowledge.

To effectively manage vulnerable corporate and institutional credits of the Group, there are dedicated teams comprising the Corporate Remedial Management at Head Office and Loan Management Centers at Regional Offices while vulnerable consumer credits are managed by the Recovery Management Unit at Head Office and Asset Quality Management Centers at Regional Offices. Special attention on these vulnerable credits is given with more frequent and intensive review and reporting in order to accelerate remedial action.

A post-approval evaluation of credit facilities is emplaced and performed by the CRM's Credit Review team, with checks to ensure that credit facilities are properly appraised and approved. The team also reviews credit applications with overrides or breaches of policies to assess the adequacy of justifications and mitigations when approving such overrides/breaches. This is to ensure that the Bank's credit evaluation process is properly benchmarked against best practices and that credit policies and product guidelines are continuously enhanced to ensure that they remain relevant in managing credit risks. Findings of the credit review team are tabled to the various risk committees, including the RMC for review and remedial actions.

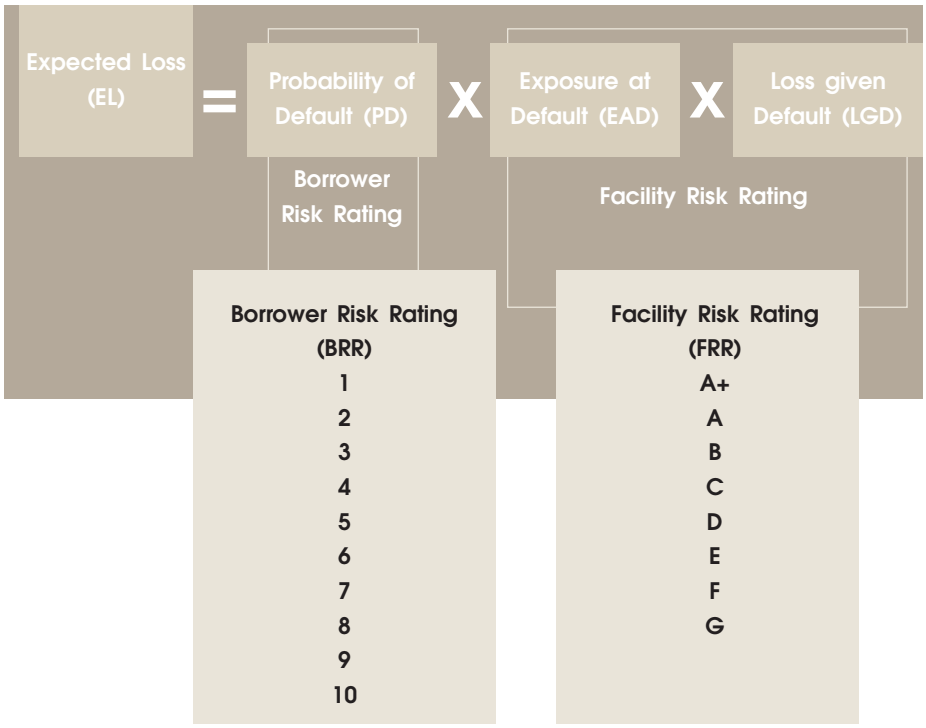
A dedicated Credit Portfolio Management team designs strategies to achieve a desired ideal portfolio risk tolerance level and prepares regular credit risk reports which are submitted to the various risk committees including the RMC as part of the on-going monitoring and review of borrowers and loan portfolios. Periodic credit stress testing under selected scenarios is also performed and the results reported.

CREDIT RISK MANAGEMENT FRAMEWORK FOR MAYBANK ISLAMIC BERHAD

Maybank Islamic Berhad is also adopting the same methodology in setting its credit risk management framework as long as the framework is consistent with the Syariah compliance requirements as set out by the Islamic Financial Services Board (IFSB).

CREDIT RISK MEASUREMENT METHODOLOGY

The Group applies the expected loss (EL) framework to quantify credit risk as illustrated in the matrix below:



The internal risk rating models comprise two components, the Borrower Risk Rating (BRR) and Facility Risk Rating (FRR).

The BRR is a borrower-specific rating component that provides an estimation of the likelihood of the borrower going into default over the next twelve months. The BRR estimates the borrower risk and is independent of the type/nature of facilities and collaterals offered. The BRR comprises ten non-default grades, with 1 being the best grade and 10 being the worst grade. For defaulted borrowers, the applicable grades are either 11 or 12.

The FRR is a facility-specific rating component that quantifies the facility and collateral structure risk. The FRR comprises eight grades, with A+ being the best grade.

CREDIT RISK TOOLS AND RISK SYSTEMS

As at reporting date, the following have been developed and implemented across the Group:

- An Integrated Retail Scoring Solution (IRSS), which provides a retail application scoring system using statistically-validated consumer scoring tools for retail borrowers. The IRSS have been implemented at both the Malaysian and Singaporean operations.
- A Credit Risk Rating System (CRRS) which provides a statistically-based internal risk rating system for the risk grading of corporate and commercial borrowers. The CRRS has been deployed at all Malaysian and Singapore lending units.
- For the Group's overseas business units, a set of International Risk Rating Scorecards (IRRS) had been deployed to risk grade the corporate and commercial borrowers.
- A Group Collateral Management System (GCMS)'s Phase 1 has been successfully deployed for the Bank's Malaysian and Singapore operations. GCMS is a centralised database of collateral information, which enables the Group to meet the operational and monitoring requirements of Basel II's credit risk mitigation techniques in the regulatory capital process.

As the Group is moving towards the Foundation Internal Ratings-Based (FIRB) Approach for credit risk (and the advanced approach for its retail portfolios), other credit risk initiatives are being undertaken to meet the specific requirements under the IRB Approach. Some of these key initiatives are:

- The Risk Data Management Solution (RDMS) Project is a capital calculator system, which is designed to provide for a seamless integration between risk systems for the development of a consistent approach in management of risk data associated with Basel II, regulatory and management reporting.
- The Group Exposure Management System (GEMS) is a system to automate the management of exposures and limits consistent with the Group's risk management policies and risk appetite limits.
- Retail Segmentation System is a system to calculate the minimum capital requirements for the Group's retail portfolios covering credit cards, auto loans, housing loans and unit trust financing.
- Non-Performing Loan (NPL) Management initiative to enhance the various systems to automate the management of NPLs and to allow the Group to improve capital management through accurate calculation of estimated loss.
- Bank Risk Rating Scorecards (BRRS) are a set of scorecards for risk grading of banks as borrowers and bank counter-parties. These scorecards will enable the Group to increase its capability to measure the risk of default of banks as borrowers and to facilitate better pricing of banks as borrowers based on their risk classification.

The use of quantitative risk systems and segmentation analyses allow the Group to enhance its value proposition to its customers, identify adverse credit trends and support profitable risk adjusted business initiatives in an increasingly competitive environment.

MARKET RISK AND LIQUIDITY RISK DEFINITIONS

Market risk is defined as the risk of potential losses in earnings arising from movements in market prices and their respective correlations and volatilities. Major market risks are price risk (trading risk) and structural interest rate risk.

Price risk (trading risk) is the risk to earnings as a result of adverse changes in the foreign exchange risk, credit spread, equity and others on the Group's proprietary trading and client activities. The structural interest rate risk is defined as the exposure of the Group's financial condition to adverse movements in interest rates arising from repricing risk, basis risk, yield curve risk and optionality.

Liquidity risk is the risk that the Group is unable to obtain funds to meet its financial obligations when due. Liquidity risk could also arise due to adverse market movements, which hinders the ability of a market participant to withdraw or hedge their positions.

MANAGEMENT OF MARKET AND LIQUIDITY RISKS

The Asset & Liability Management Committee (ALCO) is the management-level committee which supports the Risk Management Committee in the oversight of market and liquidity risk management. The ALCO, which is chaired by the President & CEO and includes senior representatives from both business and support units, is primarily responsible for the development, implementation and review of frameworks, broad strategies and policies for managing the Group's balance sheet, funding management, market risk and liquidity risk.

Market Risk Management Unit (MRM) is responsible for the development, implementation and maintenance of consistent policies and methodologies to identify, measure, monitor, control and report market risk and liquidity risk. Its primary objective is to facilitate risk/return decisions, reduce volatility in operating performance and provide transparent market risk and liquidity risk profile to senior management, the ALCO, RMC, Board of Directors and regulators.

MARKET RISK MANAGEMENT FRAMEWORK

Market risk is inherent in the ordinary course of Maybank Group's business and is prevalent especially in the treasury activities undertaken by the Group. The Group broadly classifies its financial instruments into the Trading and Banking Books. A major difference between the Trading and Banking Books is that Trading Book positions are identified for resale while Banking Book positions are intended to be held until maturity.

The market risk management framework of the Group incorporates key risk management principles, which are benchmarked against industry best practices and regulatory requirements.

The Price Risk (Trading Risk) Framework and Structural Interest Rate Risk Framework outline the process of identifying, measuring, monitoring and controlling market risk exposures of the Maybank Group. These frameworks facilitate the Group in managing its market risk exposures in a systematic and consistent manner.

MANAGEMENT OF PRICE RISK (TRADING RISK)

The main price risk measurement technique and control employed by the Group is Value-at-Risk (VaR).

VaR methodology is used to estimate the potential loss of value resulting from market movements over a specified period of time within a specified confidence level, under a normal business situation. The Group currently adopts the Historical Simulation approach for the computation of VaR. Historical Simulation is an approach that involves using historical changes in market rates and prices to construct a distribution of potential future portfolio profit and loss. The parameters which comprise confidence level of 99%, holding period of 10 days and 1 year observation period are adopted to compute VAR.

In providing FX services to customers, dealers are required to observe customer foreign exchange contract limits and BNM regulations. Based on observed data, the Bank's most actively traded currencies include US Dollars, Singapore Dollars, Hong Kong Dollars, Pound Sterling, Euro and Japanese Yen. Where appropriate, the Bank mitigates/offsets the effect of its currency exposures through funding/borrowing in the same underlying currencies.

In proprietary FX trading, dealers are required to adhere to internal trading limits. Risk Management performs independent compliance monitoring and reporting/escalation of limit breaches, if any.

Stress testing is used to identify and quantify possible events or future changes in the financial and economic conditions that could have unfavourable effects on the Group's exposure. It also serves as an assessment of the Group's ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant losses.

MANAGEMENT OF STRUCTURAL INTEREST RATE RISK

The Group adopts the Rate Sensitivity Gap (GAP), Earnings-at-Risk (EaR), Economic Value-at-Risk (EVaR), dynamic simulation techniques and multi-tier limits structure to measure and control interest rate risk exposure in the banking book.

GAP analysis measures the repricing mismatch between rate sensitive assets and rate sensitive liabilities in the predetermined time bands. EaR is the estimated exposure on the Bank's projected 12-month net interest income while EVaR is the estimated economic value at risk deriving from the net present value of cash flow of assets, liabilities and off balance sheet items based on Basel II's standardised rate shock and internal stress rate scenarios.

The Bank utilises a business intelligence application to model and project its interest rate sensitivity and impact on economic value based on multiple balance sheet and interest rate scenarios. The simulation model incorporates business assumptions obtained from lines of business and behavioural assumptions established based on statistical and non-statistical methods to ascertain a more reflective risk assessment.

For FYE 2007-08, the Maybank's EaR is maintained at a low double-digit proportion of the total annual net interest income. Its global EVaR is hovering at a low single-digit proportion of capital base based on 200bps standardised rate shock and is well below Basel II's standards on "outlier bank".

Strategies and mitigating actions are regularly reviewed and executed to achieve a balance between risks, earnings and capital against tolerance limits. Strategies adopted include adjusting the maturity tenor or repricing tenor of assets and liabilities, re-strategising new business growth, securing long term fixed rate funding and entering into interest rate derivative contracts.

LIQUIDITY RISK FRAMEWORK

The Liquidity Risk Framework encompasses the process of identifying, measuring, managing and controlling liquidity exposures of the Group under normal as well as distressed scenarios.

Maybank Group has a diversified liability structure to meet its funding requirements. The primary source of funding include customer deposits, interbank deposits, debt securities, swap market, bank loan syndication and medium term funds. The Group also reviews, initiates and implements strategic fund raising programmes such as the Floating Rate Certificate of Deposits (FRCD). Standby lines are established on a need basis for emergency/contingency use.

The stable growth in deposits is attained through Maybank's large branch network and its reputation as a leading financial institution in the domestic market. Based on customer behavioural profiling, the rollover rate of traditional deposits has been consistent, hence providing Maybank with a steady source of funding.

For the domestic operations in Malaysia, liquidity exposure adheres to Bank Negara Malaysia's Liquidity Framework. Accordingly, Maybank Group evaluates the timing of cash inflows and outflows for assets, liabilities and off-balance sheet commitments based on contractual and behavioural maturity profiles in different currencies. During the last financial year, Maybank maintained a positive net liquidity surplus i.e. on average about 2 times the minimum statutory requirements.

Maybank recognises the importance of managing its funding concentration through constant evaluation of the level of reliance to particular funding sources by counter-party, instrument and tenor. Specific level of concentration and dependence ratio has been established and is monitored on a regular basis.

Maybank closely monitors the level of liquid asset holdings in the form of cash and marketable securities, issued and/or guaranteed by both the Government of Malaysia and selected high credit quality private entities. Adequate liquid assets are maintained to ensure that these assets may be used to raise liquidity in times of need.

Liquidity crisis could be triggered by internal and external factors. Signs of potential liquidity crisis as well as liquidity indicators are monitored on a regular basis for any anomalies or crisis symptoms which can trigger mitigating actions.

A Contingency Funding Plan (CFP) has been formulated as a blueprint to establish systematic approach in the event of a liquidity crisis. It sets out the responsibilities, administrative procedures, approaches, strategies as well as courses of action to be taken in different liquidity scenarios, either Bank-specific or at the market level. The activation of CFP recognises a crisis with an aim to return to normal business conditions as soon as possible.

In addition, the Group performs regular liquidity stress testing and "what-if" scenarios to gauge the Group's vulnerability to exceptional but plausible events.

MARKET AND LIQUIDITY RISK FRAMEWORK FOR MAYBANK ISLAMIC BERHAD

The Group had established a comprehensive Market and Liquidity Risk Framework to facilitate the operations of Maybank Islamic Berhad (MIB). MIB's market and liquidity risks management process is in line with the practices recommended by the Islamic Financial Services Board (IFSB).

Market risk is defined as the fluctuations in values of tradable, marketable or leaseable assets (including sukuk) and in off-balance sheet individual portfolios, e.g. restricted investment accounts. The market risk covers rate of return risk, equity investment risk, etc. Liquidity risk is defined as the potential loss to an institution arising from their inability to meet their contractual obligations without incurring unacceptable costs or losses.

The ALCO oversees the market and liquidity risks management process executed by MIB. Its primary responsibilities are to formulate and implement broad strategies and policies for managing MIB's balance sheet and associate risks.

Market Risk Management Unit (MRM) is primarily responsible for the development, implementation and maintenance of consistent frameworks, policies and methodologies in relation to market and liquidity risk of MIB.

OPERATIONAL RISK DEFINITION

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

OPERATIONAL RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

The Maybank Group's Operational Risk Management Framework and Governance is built upon the above definition that focuses on the five causal factors of operational risks; i.e internal processes, people, systems, external events and legal.

The Operational Risk Management (ORM) Framework and Governance aims to ensure that the Group entities, Boards, business line management, staff and contractors can discharge their operational risk management responsibilities within a transparent and formalised framework that is aligned to business objectives.

The goals of the ORM Framework and Governance are to:

- Articulate the overall vision, principles, philosophy and objectives of operational risk management;
- Define a framework for effective management and supervision of operational risk;
- Define a framework for operational risk identification, assessment, reporting, management and monitoring; and
- Enhance operational risk awareness and culture.

OPERATIONAL RISK MANAGEMENT FRAMEWORK FOR MAYBANK ISLAMIC BERHAD

Maybank Islamic Berhad's Operational Risk Management Framework and Governance, while consistent with the Group's Framework, have also incorporated Syariah principles as laid out by the IFSB for compliance purposes.

MANAGEMENT OF OPERATIONAL RISK

The Operational Risk Management Unit (ORM) is responsible for the formulation and implementation of operational risk framework within the Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of the operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Risk taking units (Business/Support Sectors) constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. They are responsible for putting in place and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's operational risk management framework.

Risk Officers and Risk Representatives have been appointed within the various business and specialist/support units (BSSs) of the Group. While the Risk Officers form the key interface between BSSs and ORM, the Risk Representatives, in turn, form the key interface between the operating unit and the respective BSS's Risk Officer. The Risk Officers and Risk Representatives are the key personnel within the BSSs responsible for implementing and executing the operational risk management processes and tools. They are also responsible for the investigation of operational losses; monitoring and analysis of risk trend; and the training of staff on operational risk management practices and governance.

ROLE OF ORM VS RISK OFFICER (RO)/RISK REPRESENTATIVE

RO and Risk Representative play a pivotal role towards effective operational risk management within the BSSs of the Group.

OPERATIONAL RISK MANAGEMENT METHODOLOGIES AND TOOLS

A variety of methodologies and tools have been implemented to effectively identify, assess, measure and report operational risk exposures on a timely basis, thereby serving as tools to facilitate decision-making and enhance the operational risk management process.

OPERATIONAL RISK IDENTIFICATION AND ASSESSMENT

Risk identification is the recognition of operational risk scenarios that may give rise to operational losses. Under the Group's product approval programme, all risks inherent in new products/financing packages and related business activities are identified prior to the launch of the product/financing package, with risk mitigation measures emplaced.

Risk-profiling and self-assessment exercises are also conducted as part of the operational risk management process. These exercises enable risk taking units to identify inherent operational risks specific to their environment and assist them in assessing the effectiveness of controls in place.

OPERATIONAL RISK MEASUREMENT AND MONITORING

The key methods and tools used to measure and monitor operational risks are as follows:

Risk & Control Self Assessment (RCSA)

RCSA is a process of continual assessment of risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the Group.

Key Benefits

- Provide a framework and methodology for comprehensive self-assessment of inherent risks and adequacy of controls in place.
- Provide a management tool for monitoring risks and controls and to complement the risk management structure.
- Provide a framework for identification of opportunities for improvement across the Group based on international best practices.
- Provide foundation for the Advanced Measurement Approach (AMA) for capital modeling under Basel II.

BSSs undertake the RCSA exercise to identify operational risk and control of their key processes. The tool has also facilitated the BSSs to develop and review their risk profile. In addition, it has assisted the BSSs to give due focus in the review of business processes to enhance critical operations and controls, especially those that were assessed to be of Very High and High risk categories.

The sector level risk profiling exercises are compiled to establish the Maybank Group Risk Profile on a half-yearly basis. The consolidated Risk Profile is presented to the Executive Risk Committee and Risk Management Committee.

Key Risk Indicators (KRIs)
KRIs are embedded into critical processes to provide early warning of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.

Key Benefits

- Provide a management tool to track and monitor critical operational risk exposures over time.
- Provide an early warning signal of changes in the risk environment and the effectiveness of controls.
- Facilitate measurement of risk exposure to act as incentive mechanism for good risk management behaviour.
- Keep the operational risk management process dynamic and risk profiles current through ongoing tracking of risk exposures.
- Provide foundation for the Advanced Measurement Approach (AMA) for capital modeling under Basel II.

BSSs monitor their risk exposures via KRIs which could serve as early warning signals. With the introduction of the KRI tool, ORM was able to work with BSSs to develop and review their KRIs with the setting of appropriate thresholds. BSSs are required to develop specific and concrete action plans for those indicators that fall under "Danger" and "Caution".

KRIs are tracked at Group, Business and Operating level. The main sources of KRIs are from the periodic RCSA process, IMDC database, BSS's experiences, internal/external audit findings and Bank Negara Malaysia examination findings.

Incident Management & Data Collection (IMDC)
IMDC provides a structured process and system to identify and focus attention on operational "hotspots" and facilitates the minimisation of risk impact.

Key Benefits

- Provide a common mechanism for reporting of operational risk incidents thereby providing a consistent and standardised incident information in a centralised database.
- Provide a management tool to identify and focus attention on operational 'hotspots' and facilitate minimisation of risk impact.
- Provide consistent escalation triggers to different levels of management within the Group.
- Provide a centralised database of loss incidences and near misses to facilitate learning and analysis for future enhancements.
- Provide foundation for the Advanced Measurement Approach (AMA) for capital modeling under Basel II.

With the implementation of the IMDC and the availability of a centralised operational risk loss database, ORM and BSSs are able to analyse operational incidents based on causal factors as well as Basel II's loss event types and identify "operational hotspots" for appropriate action plans to address the critical areas.

RISK MITIGATION AND CONTROL

Risk Mitigation tools and techniques are used to reduce risk to an acceptable level and are focused on:

- Decreasing the likelihood of an undesirable event occurring, and
- Decreasing the impact on the business, should it occur.

The operational risk mitigation and control tools and techniques are as follows:

Business Continuity Management (BCM)
The Maybank Group BCM Programme which had commenced since August 2004 aims at ensuring business continuity and people safety in event of disruptions and disaster.

Under BCM implementation, Business Continuity Plans (BCP) has been developed for all critical sectors, all of which have been tested either through BCP exercises or activations. The foreign subsidiaries and overseas branches have developed their BCPs based on their respective jurisdictions. To coordinate the crisis escalation procedures and recovery efforts, we have established the BCM Command Centre and Recovery Centres.

To promote BCM awareness, the BCM e-Learning Programme was officially launched in November 2007.

The Key Benefits of the BCM Programme:

- Ensure continuity of critical business functions and essential services within a specified timeframe in the event of disruptions/disaster.
- Mitigate/minimise impact of the incident to the Group.
- Inculcate BCM culture.
- Promote customer confidence.
- Compliance with BNM requirements.

By having a proper BCM Programme in place, we are able to respond effectively and in a structured manner in event of disruptions/disaster, hence ensuring the Group's business continuity.

Insurance
Insurance programme is another risk mitigation technique aimed at reducing operational risk exposures from 'low frequency - high severity' events that are beyond the Group's control. Maybank has put in place a risk-based insurance management framework to enable the following:

- Implement and monitor Maybank's insurance programme as a risk mitigation technique in a coordinated and consistent manner.
- Minimise operational losses to Maybank, particularly for low likelihood events with high impact.
- Enable a structured and consistent review in the scope and adequacy of Maybank's insurance programme.
- Insurance is used to reduce risk to an acceptable level based on the Group's risk appetite.

Outsourcing
Outsourcing is a technique used by Maybank Group mainly for the purposes of reducing fixed and/or current expenditure and to concentrate on the Group's core business with a view to enhance operational efficiency.

For effective operational risk management, the Group's Outsourcing Policy which is designed in accordance with local regulatory requirements and international best practices has been put in place. All new outsource services introduced is subject to rigorous risk review by the risk taking unit proposing the outsourcing service and independent risk review by Risk Management. Continuous reviews, monitoring and reporting to the Executive Risk Committee and Risk Management Committee are also carried out by Risk Management to ensure integrity and service quality of service providers are not compromised.

Fraud/Anti-Money Laundering Detection System (FADS)

The Bank has implemented the FADS which analyses trend and behavioural patterns of banking transactions.

Key Benefits

- Provide automated tracking and reporting process for the detection of most probable fraudulent and abnormal transactions.
- Facilitate monitoring of such detections to mitigate potential monetary losses on probable fraudulent incidents perpetrated by fraudsters.
- Provide timely and effective early detection for immediate actions.

Since the implementation of the FADS in 2006, the Bank has been able to reduce losses due to fraudulent transactions. The system facilitated detection of abnormal behaviour in accounts thereby enabling prompt action taken to curtail possible losses.

Fraud Reporting Hotline

The Fraud Reporting Policy provides all employees of the Maybank Group a framework and avenue to report actual or suspected misconduct or violations of the Group's policies and regulations in a safe and protected manner.

The purpose of implementing a fraud reporting hotline is to promote a culture where it is safe and acceptable for all employees to raise concerns regarding fraud, criminal activities, dishonesty and malpractice committed by another employee via dedicated reporting mechanism.

Key Benefits

- Deter employees from engaging in unacceptable practices and misconduct.
- Protect the Group against potential damages or losses.
- Encourage employees' trust and confidence to raise concerns within the Group.

The recent survey undertaken within the Group had indicated positive feedback on the awareness and effectiveness of the Fraud Reporting Hotline. Efforts are consistently reviewed to encourage usage of this mechanism to mitigate operational losses.

BASEL II UPDATE AND STATUS OF GROUP'S PREPARATIONS

In Malaysia, BNM has announced the plan for the implementation of the "International Convergence of Capital Measurement and Capital Standards – A Revised Framework" (Basel II). On 19 April 2007, BNM issued the final guidelines on Basel II for credit risk and operational risk under the basic standardised approaches. The implementation date for these approaches is 1 January 2008. BNM, however, allows for qualifying financial institutions to migrate directly to the Internal Ratings Based (IRB) approaches for credit risk with effect 1 January 2010.

The Maybank Group intends to adopt the Foundation IRB approach for credit risk and Alternative Standardised Approach (ASA) for operational risk. As part of the application process, the Group had submitted the required information to BNM and had received in-principle approval to adopt the FIRB approach commencing 2010.

Briefly, the Basel II framework is designed with a three-pillar approach covering the following:

Pillar 1 – Minimum Capital Requirements

Pillar 2 – Supervisory Review Process

Pillar 3 – Market Discipline

GROUP'S PREPARATIONS FOR BASEL II

The Group is fully committed to adopt the more advanced approaches under the menu of options available for credit risk, market risk and operational risk. In this regard, the Group has allocated the necessary budget and resources to undertake the relevant tasks.

BASEL II IMPLEMENTATION GOVERNANCE STRUCTURES

Leadership for the implementation of the comprehensive Basel II initiatives is provided by two dedicated committees:

- Basel II Strategic Committee (BSC) which acts as the Steering Committee for the Group's various initiatives. Membership of the BSC, which is chaired by the Executive Director & CFO, comprises heads of business units, support teams and the CRO. The BSC meets at least once every two months.
- Basel II Implementation Committee (BIC) which acts to coordinate activities at the working level. Chaired by the CRO, the BIC meets at least once a month. Four major Project Working Groups report to the BIC covering Credit Risk, Market Risk, Operational Risk and Special Issues (Pillar 2 and Pillar 3).

Apart from the above steering committees, two special committees have been approved and in the process of implementation:

- Model Validation and Acceptance Committee (MVAC), which acts to review model validation issues to ensure models in use meet the required standards of accuracy and stability.
- Pillar 2 Risk Review Committee (P2RC), which is tasked to review Pillar 2 risk issues to ensure key regulatory requirements set are met by the Bank and the Group.

A Basel II Programme Office serves to coordinate and manage the overall implementation of the various Basel II initiatives. The Group expects the key projects to be completed by end-2008. Other minor initiatives shall be completed on a schedule aligned to regulatory timelines.

Most of the key Basel II initiatives are currently work in progress, with some already completed and implemented and others at the planning stage pending the issuance of finalised regulatory guidelines.

Moving forward, the Group has formulated a "Basel II Implementation Master Plan 2007-2013" setting out its plans to move to the most advanced approaches between 2010 and 2013.

Maybank, as a custodian of public funds, has a responsibility to safeguard its integrity and credibility. It is on this understanding that the organisation sets out clearly the code of ethics and conduct for its staff. The code stipulates the sound principles that will guide all Maybank staff in discharging their duties. It sets out the standards of good banking practice.

The purpose of the code is to:

1. Uphold the good name of the Maybank Group and to maintain public confidence in the Maybank Group.
2. Maintain public confidence in the security and integrity of the banking system.
3. Maintain an impartial and unbiased relationship between the Maybank Group and its customers.
4. Uphold the high standards of personal integrity and professionalism of the Maybank Group staff.

The code stipulates that staff should not:

1. Engage directly or indirectly in any business activity that competes or is in conflict with the Bank's interest.
2. Misuse or abuse their positions in the Bank for their personal benefit or for the benefit of other persons.
3. Misuse information. Staff should not copy, remove or make use of any information obtained in the course of business for the direct or indirect benefit of themselves or of any other persons.

In addition to these, staff should:

1. Ensure the integrity and accuracy of records and/or transactions.
2. Ensure fair and equitable treatment in all business dealings on behalf of the Bank.
3. Maintain the highest standard of service in their relationship with customers.
4. Maintain confidentiality of all relations and dealings between the Bank and its customers. However, confidential information concerning a customer may be given or made available to third parties only with prior written consent of the customer or when disclosure is authorised under the Banking and Financial Institutions Act, 1989.
5. Manage their financial matters well and not subject themselves to pecuniary embarrassment.
6. Observe and comply with laws and regulations relating to the operations of the Bank.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements requires the Board to include in its Company Annual Report a statement about the state of its internal control. The revised Malaysian Code on Corporate Governance (2007) requires all listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

Accordingly, the Board is therefore pleased to provide the Statement on Internal Control ("Statement") that was prepared in accordance with the "Guidance for Directors of Public Listed Company" issued by Bursa Malaysia Securities Berhad which outlines the processes the Board have adopted in reviewing the adequacy and integrity of the system of internal control of the Group.

RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining sound internal control systems to safeguard the shareholders' interest and the Group's assets. It is of the view that the internal control framework is designed to manage rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable rather than absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud.

The Board has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives. The process which has been instituted throughout the Group is updated and reviewed from time to time to suit the changes in the business environment and this on-going process has been in place for the whole financial year under review.

The role of Management includes:-

- identifying and evaluating the risks faced;
- formulating related policies and procedures to manage these risks;
- designing, operating and monitoring a suitable system of internal controls; and
- implementing the policies approved by the Board

KEY INTERNAL CONTROL PROCESSES

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal controls are as follows:-

Risk Management Framework

- The Board has established an organisation structure with clearly defined lines of responsibility, limits of authority and accountability aligned to business and operations requirements which support the maintenance of a strong control environment. It has extended the responsibilities of the Audit Committee to include the assessment of internal controls, through the Internal Audit ("IA") function.
- The Board has also delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee. The effectiveness of the risk management system is monitored and evaluated by the Group Risk Management function, on an ongoing basis.
- Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with laws and regulations and are made available to all employees. To further enhance risk awareness within the Maybank Group, a series of Risk Awareness Programmes was conducted to all levels of staff emphasising the importance of control environment and the Group's whistle blowing policy that defines the avenue for employees to raise genuine concerns about actual and suspected wrongdoing or malpractices via this dedicated reporting mechanism.
- A written Management Control Policy (MCP) and Internal Control Policy (ICP) from Management are in place. The MCP outlines the specific responsibilities of the various parties i.e. the Management, Internal Audit and Audit Committee of the Board pertaining to internal control for Maybank Group. The ICP is to create awareness among all the employees with regards to the internal control components and the basic control policy of Maybank Group.

- Establishment of the three (3) lines of Defence concept – risk taking units, risk control units and internal audit. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management framework and developing tools and methodologies. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach. Further information on Group Risk Management which includes Operational Risk Management, Credit Risk Management and Market Risk Management is highlighted on pages 110 to 122.

Internal Audit Function

- The Internal Audit function undertakes regular reviews of the Group's operations and their systems of internal control by performing regular reviews of the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls and highlights significant risks and non compliance impacting the Group. Where applicable, they provide recommendations for improvement on the effectiveness of risk management, control and governance process. Management will follow up and review the status of actions on recommendations made by the internal and external auditors. Audits are carried out on units that are identified premised on a risk based approach, in cognizance with the Group's objectives and policies in the context of its evolving business and regulatory environment, taking into consideration input of the senior management and the Board.
- The Audit Committee of the Board (ACB) regularly reviews the actions taken on internal control issues identified in reports prepared by Internal Audit, the external auditors, regulatory authorities, and evaluates the effectiveness and adequacy of the Group's internal control system. The ACB has active oversight on the internal audit's independence, scope of work and resources. It also reviews on Internal Audit function particularly the annual audit plan scope and frequency of the internal audit activities.

Other key elements of internal control

The other key elements of the procedures established by the Board which provide effective internal control include:

- An annual business plan and budget is submitted to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board also reviews regular reports from the management on the key operating statistics, legal and regulatory matters. The Board also approves any changes or amendments to the Group policies.
- Besides the ACB, the Board has also set up several Board Committees to assist the Board perform its oversight functions. Specific responsibilities have been delegated to these Board Committees, all of which have formalised terms of reference. These committees have the authority to examine all matters within their scope and report to the Board with their recommendations. For more details on the various Board Committees, please refer to Pages 102 to 106.
- Group Executive Risk Committee, Group Management Committee, Group IT Steering Committee, Internal Audit Committee, Asset and Liability Committee, Credit Committee, Group Purchasing, Tender & Evaluation Committee and Group Staff Committee are also established as part of its stewardship function to ensure effective management and supervision of the areas under the respective Committee's purview.
- Recruitment and promotion policies/guidelines within the Group are established to ensure appropriate persons of calibre are selected to fill positions available. A learning management council is formed for each business sector to ensure that staff are adequately trained and competent in discharging their duties effectively. Proper guidelines are also drawn-up for termination of staff.

- A clearly defined framework with appropriate empowerment and authority limits has been approved by the Board for acquisitions and disposals of assets, awarding tenders, writing off operational and credit items, donations, as well as approving general and operational expenses.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report for the financial year ended 30 June 2008.

The external auditors conducted the review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute of Accountants. The review has been conducted to assess whether the Statement on Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors had adopted in reviewing the adequacy and integrity of the system of internal controls of the Group.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the annual report will, in fact, mitigate the risks identified or remedy the potential problems.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that caused them to believe that the Statement on Internal Control is inconsistent with their understanding of the processes the Board had adopted in the review of the adequacy and integrity of internal control of the Group.

The following information is disclosed in compliance with Appendix 9C of Bursa Securities Listing Requirements:-

1. **Utilisation of Proceeds**
   The Company had in June 2008 issued RM3.5 billion Non-Innovative Tier 1 Capital. The proceeds will be used by the Company for its working capital, general banking and other corporate purposes.

2. **Share Buy-back**
   The Company did not make any proposal for share buy-back during the financial year under review.

3. **Options, warrants or convertible securities**
   Maybank did not issue any options, warrants or convertible securities during the financial year under review.

4. **Imposition of sanctions and/or penalties**
   There were no sanctions and/or penalties imposed on Maybank and its subsidiaries, directors or management by the relevant regulatory bodies, which was made public during the financial year under review.

5. **Non-audit fees**
   Non-audit fees payable to the external auditors, Ernst & Young for the year amounted to RM990,000 for the Group and RM578,000 for the Bank.

6. **Variation in results**
   There was no profit forecast issued by Maybank and its subsidiary companies during the financial year under review.

7. **Profit guarantee**
   There was no profit guarantee issued by Maybank and its subsidiary companies during the financial year under review.

8. **Material Contracts involving directors' and substantial shareholders' interests**
   There were no material contracts entered into by the Company and its subsidiaries involving directors and substantial shareholders, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

9. **Valuation Policy**
   The Company does not value its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Properties are disclosed in Note 3(ix) of the financial statements.

10. **Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")**
    The Company did not seek any mandate from its shareholders nor enter into RRPT, which are necessary for its day-to-day operation on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders for the financial year under review.

AUDIT COMMITTEE OF THE BOARD (ACB)

MEMBERSHIP

The present members of the Audit Committee of the Board (ACB) are:

Tuan Haji Mohd Hashir bin Haji Abdullah (appointed as Chairman w.e.f 1.10.2007)
Chairman, Independent Non-Executive Director

Teh Soon Poh
Independent Non-Executive Director

Tan Sri Dato' Sri Chua Hock Chin (appointed as member w.e.f 1.10.2007)
Independent Non-Executive Director

Datuk Syed Tamim Ansari bin Syed Mohamed (appointed as member w.e.f 11.10.2007)
Independent Non-Executive Director

Mohammad bin Abdullah (retired as member w.e.f 29.9.2007)
Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad (resigned as member w.e.f 29.9.2007)
Non-Independent Non-Executive Director

The General Counsel & Company Secretary, En. Mohd Nazlan bin Mohd Ghazali is the Secretary to the ACB.

ATTENDANCE OF MEETINGS

For the financial year 2007/2008, the ACB held a total of 20 meetings. The meeting attendance of the Committee members is as follows:

Name	No. of Meetings Attended
Tuan Haji Mohd Hashir bin Haji Abdullah	18/20
Teh Soon Poh	19/20
Tan Sri Dato' Sri Chua Hock Chin	15/16
Datuk Syed Tamim Ansari bin Syed Mohamed	15/15
Mohammad bin Abdullah	3/4
Datuk Zainun Aishah binti Ahmad	4/4

The Chief Operating Officer (COO) and the Chief Audit Executive (CAE) are invited to attend the meetings. As required, the members of the Audit Committee also had 2 one-to-one sessions with the External Auditors in private without the presence of the management.

In addition, the External Auditors are also invited to attend meetings to discuss matters such as the year end audited financial statements, management letters, and other matters deemed relevant.

COMPOSITION AND TERMS OF REFERENCE

Composition

1. The Chairman and the Audit Committee members shall be non-executive directors and at least one member of the committee must be:
   - a member of the Malaysian Institute of Accountants (MIA); or
   - if he is not a member of the MIA, he must have at least three (3) years working experience; and
     i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
     ii. he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
2. Where the Chairman is unable to attend the meeting, the members shall elect a person among themselves as Chairman.
3. Review of membership is undertaken once every three (3) years. This review pertains to the term of office and performance of the members.

Quorum

The quorum shall be three (3) with majority to be independent directors.

Authority

The ACB is empowered by the Board to carry out the following:

1. Investigate any activity or matter within its terms of reference.

2. Promptly report to Bursa Malaysia Securities Berhad ("Bursa Securities") matters which have not been resolved satisfactorily thus resulting in a breach of the Bursa Securities Listing Requirements.

3. Obtain external independent professional advice, legal or otherwise deemed necessary.

4. Maintain direct communication channels with external auditors, person(s) carrying out the internal audit function or activity, and with senior management of the Bank and its subsidiaries.

5. Convene meetings with internal and external auditors, without the attendance of the management, whenever deemed necessary.

In discharging the above functions, the ACB has also been empowered by the Board to have:

- Necessary resources which are required to perform its duties.
- Full and unrestricted access to any information and documents relevant to its activities.

DUTIES & RESPONSIBILITIES

The primary duties and responsibilities of the ACB with regards to the Maybank Group's Internal Audit function, external auditors, financial reporting, related party transactions, annual reporting and investigation are as follows:

1. **Internal Audit**
   - Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function, Internal Audit Charter and that it has necessary authority to carry out its work.
   - Review the internal audit reports to evaluate the findings of their work and to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified.
   - Approve the appointment or termination of the Chief Audit Executive and Heads of Department of Internal Audit.
   - Assess the performance of the internal auditors and determine and approve the remuneration and annual increment of the internal auditors.
   - Take cognizance of resignation of internal audit staff and the reason for resigning.

2. **External Audit**
   - Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
   - Assess the qualification, expertise, resources and effectiveness of the external auditors.
   - Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
   - Review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan.
   - Review major audit findings raised by the external auditors and Management's responses, including the status of previous audit recommendations.
   - Review the assistance given by the Group's officers to the external auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
   - Approve non-audit services provided by the external auditors.

3. **Financial Reporting**
   Review the quarterly and year-end financial statements focusing on:
   - any changes in accounting policy and practices;
   - significant and unusual events; and
   - compliance with applicable Financial Reporting Standards and other legal and regulatory requirements.

4. **Related Party Transactions**
   Review any related party transactions and conflict of interest situations that may arise within the Bank or Maybank Group including transactions, procedures or courses of conducts that may raise questions of Management's integrity.

5. **Annual Report**
   Report the Audit Committee's activities for the financial year.

6. **Investigation**
   Instruct the conduct of investigation into any activity or matter within its terms of reference.

7. **Other Matters**
   Other matters as the committee considers appropriate or as authorised by the Board of Directors.

SUMMARY OF ACTIVITIES

During the financial year 2007/2008, the ACB had carried out its duties as set out in the terms of reference. The main activities undertaken by the ACB were as follows:

Internal Audit

1. Reviewed the annual internal audit plan for the financial year 2007/2008 to ensure adequate scope and coverage over the activities of the Bank and the Group and the monthly audit performance reports to ensure the adequacy, performance, progress, achievement and coverage of the internal audit functions. The ACB has also reviewed internal audit reports, audit recommendations and management's responses to these recommendations.

2. Reviewed the audit reports of Bank Negara Malaysia Examiners, the external auditors and other regulatory authorities, Management's responses to the auditors' and examiners' recommendations and monitored the actions taken to rectify weaknesses detected. Where necessary, the ACB had also directed that appropriate remedial actions be taken.

3. Deliberated the minutes of meetings of the subsidiary companies' ACB for an overview of the risk management and internal control systems of those subsidiary companies.

4. Examined the adequacy of the skills, knowledge, and core competencies of the internal auditors.

5. Provided independent evaluation on the performance and remuneration package of audit staff in accordance with the requirements of Garis Panduan 1 of Bank Negara Malaysia.

6. Instructed the conduct of investigation into any activity or matter within its terms of reference.

7. Approved the appointment of audit staff in key positions and noted the reasons for the resignation of audit staff.

8. Reviewed the Audit Committee Report and Statement on Internal Control.

Financial Reporting

9. Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Bank and the Maybank Group to ensure that the financial reporting and disclosure requirements are in compliance with the relevant acts, rules and regulations.

External Audit

10. Evaluated the performance of the external auditors and made recommendations to the Board on their appointment, scope of work and audit fees.

Related Party Transactions

11. Reviewed the related party transactions within the Bank and the Group.

Directors' Training

12. Attended training courses and seminar relevant to its terms of reference. For details of training attended, please refer to page 98 under Statement on Corporate Governance.

INTERNAL AUDIT FUNCTION

The Group has a well established in house Internal Audit (IA) to assist the Board of Directors to oversee that Management has in place a sound risk management, internal control and governance system. The costs incurred for maintaining the IA function for the year under review was approximately RM26 million comprising mainly salaries, travelling and accommodation expenses and subsistence allowances for audit assignments.

The principal responsibility of IA is to undertake regular and systematic reviews of the systems of internal control, so as to provide reasonable assurance that such systems continue to operate efficiently and effectively. The IA reports functionally to the ACB of the Bank and administratively to the President & Chief Executive Officer, and is independent of the activities or operations of other operating units. The scope of coverage of IA encompasses all units and operations of the Bank, including the subsidiaries. The selection of the units to be audited from the audit universe leading to the formulation of the audit plan is premised on a risk based approach and it is the responsibility of the IA to provide the

ACB with independent and objective reports on the state of affairs of the risk management, control and governance processes.

The internal audit function is organised on a Group basis and provided with adequate resources to discharge its responsibilities. Consistent with this approach, the internal audit function is supervised centrally with support from resident auditors in selected overseas locations where Maybank operates namely Singapore, Philippines and Indonesia. Technical support especially in the areas of credit risk, market risk, information technology systems and developmental initiatives are centrally driven to ensure consistency of standards and applications. The ACB reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

The audit reports, which provide the results of the audit conducted in terms of the risk management of the unit, operating effectiveness of internal controls, compliance with internal and regulatory requirements and overall management of the unit are submitted to the ACB for their review. Key control issues, significant risks and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable. This enables the ACB to execute its oversight function by forming an opinion on the adequacy of measures undertaken by Management.

The International Standards for the Professional Practice of Internal Auditing (SPPIA) of the Institute of Internal Auditors (IIA), the Practice Advisories issued by the IIA, the Guidelines on Internal Audit Functions, and Bank Negara Malaysia's Garis Panduan 10 (GP10), Garis Panduan Insurance 13 (GPI 13) and Guidelines on Management of IT Environment (BNM/GPIS1) are used where relevant as authoritative guides for internal auditing procedures.

Summary of Activities

During the financial year 2007/2008, the following activities were carried out by IA:

1. Executed independent assurance role through programmed reviews of units and operations identified on a risk based audit approach in the annual audit plan, to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

2. Evaluated the risk exposures of new business products and projects to ensure control procedures are in place to mitigate the risks identified prior to implementation.

3. Ascertained the extent of compliance with established policies and procedures and statutory requirements.

4. Carried out ad hoc assignments and special reviews as instructed by the ACB.

5. Recommended improvements and enhancements to the existing system of internal control and work procedures/processes.

6. Developed annual audit plan premised on a risk based approach and in cognizance with the Group's objectives and policies in the context of its evolving business environment, taking into consideration input from Senior Management and the Board.

7. Carried out audit investigation into activities or matters as instructed by the ACB and Senior Management.

8. Preparation of Audit Committee Report and Statement on Internal Control for the Company's Annual Report 2007/2008.

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FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The directors are required by the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Bank at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the directors have:

- considered the applicable approved accounting standards in Malaysia
- adopted and consistently applied appropriate accounting policies
- made judgements and estimates that are prudent and reasonable

The directors have the responsibility for ensuring that the Group and the Bank keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Bank which will enable them to ensure that the financial statements comply with the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of banking and finance in all its aspects. On 1 January 2008, the Islamic Banking operations in Malaysia, previously included in the Bank's operations, were transferred to a wholly-owned subsidiary, Maybank Islamic Berhad as disclosed in Note 49(a) and 50(y).

The subsidiaries are principally engaged in the businesses of Islamic banking, investment banking including stockbroking and discount house, general and life insurance, general and family takaful, leasing and factoring, trustee and nominee services, asset management and venture capital.

There were no significant changes in these activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit before tax and zakat		
– Continuing	**4,086,070**	**3,118,575**
– Discontinued	**—**	**102,882**
Tax expense and zakat		
– Continuing	**(1,083,730)**	**(814,610)**
– Discontinued	**—**	**(33,695)**
Profit for the year	**3,002,340**	**2,373,152**
Attributable to:		
Equity holders of the Bank	**2,928,202**	**2,373,152**
Minority interests	**74,138**	**—**
	3,002,340	**2,373,152**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity and allowance for non-refundable deposit as disclosed in Note 49(g).

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Bank since 30 June 2007 were as follows:

	RM'000
In respect of the financial year ended 30 June 2007 as reported in the directors' report of that year:	
Final dividend of 40% less 27% taxation on 3,895,133,921 ordinary shares approved during the Annual General Meeting on 29 September 2007 and paid on 15 November 2007	1,137,379
In respect of the financial year ended 30 June 2008:	
First interim dividend of 17.5% less 26% taxation, on 3,897,575,921 ordinary shares, declared on 15 November 2007 and paid on 16 January 2008	504,736
Second interim dividend of 15.0% less 26% taxation, on 4,881,018,305 ordinary shares, declared on 20 February 2008 and paid on 7 April 2008	541,793

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2008 of 20% less 26% taxation on 4,881,123,401 ordinary shares, amounting to a net dividend payable of RM722,406,263 (14.80 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2009.

MAYBANK GROUP EMPLOYEE SHARE OPTION SCHEME (ESOS)

The Maybank Group Employee Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 11 August 2004. The ESOS was implemented on 26 August 2004 and is in force for a period of 5 years from the date of implementation.

The terms of the ESOS include provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are disclosed in Note 26 to the financial statements.

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 75,000 ordinary shares of RM1 each during the financial year. The option holders with the number of options granted in respect of the ESOS of 75,000 shares of RM1 each or above during the financial year include certain directors of the Bank whose names and the number of options granted are disclosed in the section on Directors' Interests in this report.

ISSUE OF SHARE CAPITAL

During the year, the Bank increased its issued and paid-up capital from RM3,889,224,521 to RM4,881,123,401 via:

(a) issuance of 976,057,505 new ordinary shares of RM1 each from the bonus issue exercise on 20 February 2008;

(b) issuance of 15,841,375 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the current Maybank Group Employee Share Option Scheme (ESOS) which commenced on 26 August 2004, for a period of 5 years.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Bank.

DIRECTORS

The directors who served since the date of the last report are:

Tan Sri Mohamed Basir bin Ahmad (Chairman)	
Dato' Sri Abdul Wahid bin Omar	Appointed with effect from 1 May 2008
Haji Mohd Hashir bin Haji Abdullah	
Teh Soon Poh	
Datuk Abdul Rahman bin Mohd Ramli	
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	
Datuk Zainun Aishah binti Ahmad	
Tan Sri Dato' Sri Chua Hock Chin	Appointed with effect from 1 October 2007
Datuk Syed Tamim Ansari bin Syed Mohamed	Appointed with effect from 11 October 2007
Dato' Aminuddin Md Desa	Appointed with effect from 31 January 2008
Dato' Richard Ho Ung Hun	Retired with effect from 29 September 2007
Senator Tan Sri Amirsham A Aziz	Retired with effect from 18 March 2008
Dato' Mohammed Hussein	Retired with effect from 30 January 2008
Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali	Retired with effect from 29 September 2007
Mohammad bin Abdullah	Retired with effect from 29 September 2007

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than as may arise from the share options granted pursuant to the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 34 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and share options of the Bank during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each					
	1.7.2007	Exercise of ESOS	Acquired	Bonus issue	Sold	30.6.2008
Tan Sri Mohamed Basir bin Ahmad	28,000	75,000	—	25,750	—	**128,750**
Haji Mohd Hashir bin Haji Abdullah	112,500	33,800	—	35,250	5,300	**176,250**
Teh Soon Poh	50,200	105,000	—	36,300	10,000	**181,500**
Datuk Abdul Rahman bin Mohd Ramli	36,200	43,800	—	20,000	—	**100,000**
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10,000	—	10,000	2,500	—	**22,500**
Datuk Zainun Aishah binti Ahmad	—	—	—	—	—	**—**
Tan Sri Dato' Sri Chua Hock Chin	—	—	—	—	—	**—**
Datuk Syed Tamim Ansari bin Syed Mohamed	—	—	10,000	2,500	—	**12,500**

	Number of Options Over Ordinary Shares of RM1 Each				
	Exercise Price RM	1.7.2007	Granted Under ESOS	Exercised	30.6.2008
Tan Sri Mohamed Basir bin Ahmad	9.23	—	—	—	**—**
	9.92	30,000	—	30,000	**—**
	10.19	75,000	—	45,000	**30,000**
Haji Mohd Hashir bin Haji Abdullah	9.23	—	—	—	**—**
	9.92	25,000	—	25,000	**—**
	10.19	43,800	—	8,800	**35,000**
Teh Soon Poh	9.23	5,000	—	5,000	**—**
	9.92	62,500	—	62,500	**—**
	10.19	62,500	—	37,500	**25,000**
Datuk Abdul Rahman bin Mohd Ramli	9.23	—	—	—	**—**
	9.92	25,000	—	25,000	**—**
	10.19	43,800	—	18,800	**25,000**

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Rating Classification	Rating Received
Moody's Investor Service	2 April 2008	– Long term deposits	A3
		– Short term deposits	P-1
		– Subordinated long-term debts	A3
		– Financial strength rating	C
		– Outlook	Stable
Standard & Poor's	15 May 2008	– Long term counterparty	A-
		– Short term counterparty	A-2
		– Subordinated notes	BBB+
		– Bank fundamental strength	B
		– Outlook	Stable
RAM Rating Services Berhad	30 May 2008	– Long term	AAA
		– Short term	P1
		– Subordinated bonds	AA1
		– Outlook	Stable
Fitch Ratings	27 March 2008	– Long Term Foreign – Currency Issuer Default	A-
		– Subordinated debts	BBB+
		– Outlook	Stable

BUSINESS OUTLOOK

The rising inflation coupled with slower economic growth amid a moderation in external demand presents a challenge for the banking industry in Malaysia and other regional economies where Maybank is expanding its overseas presence. With its well-established risk management framework and prudent business practices, the Group is expected to leverage on its strengths to cope with these challenges.

With its dominant domestic presence and working towards adding value to its overseas businesses, the Group expects to record a stable performance for the financial year 2008/2009.

OTHER STATUTORY INFORMATION

(a) Before the balance sheets and income statements of the Group and of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and

(ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

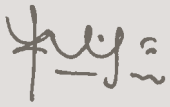
The significant and subsequent events during the financial year are as disclosed in Note 49 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 August 2008.

Mohamed Basir bin Ahmad



Abdul Wahid bin Omar

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Mohamed Basir bin Ahmad and Abdul Wahid bin Omar, being two of the directors of Malayan Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 144 to 323 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2008 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 August 2008.

Mohamed Basir bin Ahmad

Abdul Wahid bin Omar

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Abdul Wahid bin Omar, being the director primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 144 to 323 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Abdul Wahid bin Omar
at Kuala Lumpur in the Federal
Territory on 27 August 2008

Abdul Wahid bin Omar

Before me,

PESURUHJAYA SUMPAH
No. W 299
M. NAMASIVAYAM A/L N
MALAYSIA
No. 50, Jalan Hang Lekiu,
50100 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYAN BANKING BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malayan Banking Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 144 to 323.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2008 and of their financial performances and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 53 to the financial statements, being accounts that have been included in the consolidated financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Abdul Rauf bin Rashid
No. 2305/05/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia

BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
ASSETS					
Cash and short-term funds	5	**27,644,359**	37,597,422	**24,069,617**	32,567,349
Deposits and placements with banks and other financial institutions	6	**8,956,515**	17,348,421	**8,795,492**	15,559,794
Securities purchased under resale agreements	7(i)	**—**	258,772	**—**	258,772
Securities portfolio	8	**36,551,156**	33,691,730	**29,711,540**	25,378,595
Loans, advances and financing	9	**164,799,666**	140,864,736	**138,985,721**	118,557,035
Derivative assets	10	**830,150**	394,870	**828,182**	390,406
Other assets	11	**3,915,687**	3,375,393	**3,040,046**	1,847,133
Investment properties	12	**3,885**	40,750	**—**	—
Statutory deposits with Central Banks	13	**5,872,414**	5,652,233	**4,939,701**	4,838,337
Investment in subsidiaries	14	**—**	—	**6,423,155**	2,763,929
Interests in associates	15	**2,218,847**	43,601	**12,055**	40,739
Property, plant and equipment	16	**1,210,833**	1,151,687	**1,062,383**	987,194
Intangible assets	17	**189,729**	193,072	**182,455**	184,462
Deferred tax assets	23	**1,217,490**	1,016,730	**1,122,138**	951,526
Life, general takaful and family takaful fund assets	51	**15,689,969**	15,037,859	**—**	—
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations	50(y)	**—**	—	**—**	23,121,969
TOTAL ASSETS		**269,100,700**	256,667,276	**219,172,485**	227,447,240

	Note	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
LIABILITIES					
Deposits from customers	18	**187,112,077**	163,676,762	**156,322,564**	133,855,613
Deposits and placements of banks and other financial institutions	19	**24,554,106**	29,534,690	**25,847,297**	31,170,736
Obligations on securities sold under repurchase agreements	7(ii)	**322,371**	9,957,065	**322,371**	10,489,855
Bills and acceptances payable		**4,792,302**	2,930,070	**4,396,381**	2,395,214
Derivative liabilities	10	**1,055,097**	656,705	**1,027,048**	644,860
Other liabilities	20	**5,248,563**	5,089,567	**3,919,074**	2,980,341
Recourse obligation on loans sold to Cagamas	21	**1,274,069**	2,455,762	**1,274,069**	2,455,762
Provision for taxation and zakat	22	**435,483**	1,019,790	**390,327**	980,741
Deferred tax liabilities	23	**51,862**	96,810	**—**	—
Subordinated obligations	24	**4,975,723**	6,344,048	**4,975,723**	6,344,048
Stapled Capital Securities	25	**3,497,316**	—	**3,497,316**	—
Life, general takaful and family takaful fund liabilities	51	**4,032,822**	1,194,914	**—**	—
Life, general takaful and family takaful policy holders' funds	51	**11,657,147**	13,842,945	**—**	—
Liabilities transferred to subsidiary, pursuant to transfer of Islamic Banking operations	50(y)	**—**	—	**—**	18,676,232
TOTAL LIABILITIES		**249,008,938**	236,799,128	**201,972,170**	209,993,402
Equity attributable to equity holders of the Bank					
Share capital	26	**4,881,123**	3,889,225	**4,881,123**	3,889,225
Reserves	27	**14,421,370**	15,308,431	**12,319,192**	13,564,613
		19,302,493	19,197,656	**17,200,315**	17,453,838
Minority interests		**789,269**	670,492	**—**	—
		20,091,762	19,868,148	**17,200,315**	17,453,838
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**269,100,700**	256,667,276	**219,172,485**	227,447,240
COMMITMENTS AND CONTINGENCIES	40	**204,216,762**	175,392,450	**192,079,393**	171,957,142

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
Continuing Operations					
Operating revenue	29	**16,153,942**	15,179,312	**13,092,754**	12,573,069
Interest income	30	**11,467,998**	10,856,095	**10,913,975**	10,134,118
Interest expense	31	**(6,041,209)**	(5,723,172)	**(5,725,120)**	(5,291,379)
Net interest income		**5,426,789**	5,132,923	**5,188,855**	4,842,739
Income from Islamic Banking operations					
Gross operating income		**966,176**	777,750	**—**	—
Profit equalisation reserves		**(1,570)**	79,817	**—**	—
	50	**964,606**	857,567	**—**	—
		6,391,395	5,990,490	**5,188,855**	4,842,739
Dividends from subsidiaries		**—**	—	**10,065**	392,774
Other operating income		**3,238,857**	2,863,098	**2,276,272**	1,982,871
Total non-interest income	32	**3,238,857**	2,863,098	**2,286,337**	2,375,645
Net income		**9,630,252**	8,853,588	**7,475,192**	7,218,384
Overhead expenses	33	**(4,255,109)**	(3,788,751)	**(3,213,970)**	(2,836,623)
Operating profit		**5,375,143**	5,064,837	**4,261,222**	4,381,761
Allowance for losses on loans, advances and financing	35	**(804,407)**	(694,506)	**(658,823)**	(489,057)
Allowance for non-refundable deposit	49(g)	**(483,824)**	—	**(483,824)**	—
		4,086,912	4,370,331	**3,118,575**	3,892,704
Share of losses of associates		**(842)**	(6,633)	**—**	—
Profit before taxation and zakat		**4,086,070**	4,363,698	**3,118,575**	3,892,704
Taxation and zakat	37	**(1,083,730)**	(1,110,827)	**(814,610)**	(1,016,533)
Profit for the year from continuing operations		**3,002,340**	3,252,871	**2,303,965**	2,876,171

	Note	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
Discontinued Operation					
Profit for the year from transfer of Islamic Banking operations	50(y)	**—**	—	**69,187**	175,290
Profit for the year		**3,002,340**	3,252,871	**2,373,152**	3,051,461
Attributable to:					
Equity holders of the Bank		**2,928,202**	3,178,372	**2,373,152**	3,051,461
Minority interests		**74,138**	74,499	**—**	—
		3,002,340	3,252,871	**2,373,152**	3,051,461
Earnings per share attributable to equity holders of the Bank					
Basic (sen)	38	**60.1**	66.1[1]	**48.7**	63.4[1]
Diluted (sen)	38	**60.0**	65.9[1]	**48.7**	63.3[1]
[1] Adjusted for bonus issue of 1:4					
Net dividends per ordinary share held by equity holders of the Bank in respect of financial year (sen)					
Paid – First Interim	39			**13.0**	29.2
Paid – Second Interim	39			**11.1**	—
Proposed – Final	39			**14.8**	29.2

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Group	<---------- Non-distributable ---------->										
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2006	3,796,947	2,137,807	3,973,917	15,250	(27,479)	58,136	3,038	6,921,430	16,879,046	608,475	17,487,521
Currency translation differences	—	—	—	—	—	(142,130)	—	—	(142,130)	(6,083)	(148,213)
Subscription of new shares	—	—	—	—	—	—	—	—	—	3,038	3,038
Acquisition of interests from minority interests	—	—	—	—	—	—	—	—	—	(39,454)	(39,454)
Unrealised net gain on revaluation of securities available-for-sale	—	—	—	—	433,067	—	—	—	433,067	30,017	463,084
Net gain/(loss) not recognised in the income statement	—	—	—	—	433,067	(142,130)	—	—	290,937	(12,482)	278,455
Net profit for the year	—	—	—	—	—	—	—	3,178,372	3,178,372	74,499	3,252,871
Total recognised income/ (expense) for the year	—	—	—	—	433,067	(142,130)	—	3,178,372	3,469,309	62,017	3,531,326
Transfer from statutory reserves	—	—	(51,929)	—	—	—	—	51,929	—	—	—
Share-based payment under ESOS (Note 33)	—	—	—	—	—	—	58,190	—	58,190	—	58,190
Issue of ordinary shares pursuant to ESOS (Note 26)	92,278	797,763	—	—	—	—	—	—	890,041	—	890,041
Dividends (Note 39)	—	—	—	—	—	—	—	(2,098,930)	(2,098,930)	—	(2,098,930)
At 30 June 2007	3,889,225	2,935,570	3,921,988	15,250	405,588	(83,994)	61,228	8,052,801	19,197,656	670,492	19,868,148

Group (Cont'd.)

	<---------- Non-distributable ---------->										
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2007	**3,889,225**	**2,935,570**	**3,921,988**	**15,250**	**405,588**	**(83,994)**	**61,228**	**8,052,801**	**19,197,656**	**670,492**	**19,868,148**
Currency translation differences	–	–	–	–	–	**42,242**	–	–	**42,242**	**(877)**	**41,365**
Effects of acquisition/ disposal of interests from/ to minority interests	–	–	–	–	–	–	–	–	–	**48,500**	**48,500**
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	**(821,928)**	–	–	–	**(821,928)**	**(17,935)**	**(839,863)**
Net accretion from decreased interest in subsidiaries	–	–	–	–	–	–	–	**(14,951)**	**(14,951)**	**14,951**	–
Net (loss)/gain not recognised in the income statement	–	–	–	–	**(821,928)**	**42,242**	–	**(14,951)**	**(794,637)**	**44,639**	**(749,998)**
Net profit for the year	–	–	–	–	–	–	–	**2,928,202**	**2,928,202**	**74,138**	**3,002,340**
Total recognised (expense)/ income for the year	–	–	–	–	**(821,928)**	**42,242**	–	**2,913,251**	**2,133,565**	**118,777**	**2,252,342**
Transfer to statutory reserves	–	–	**651,648**	–	–	–	–	**(651,648)**	–	–	–
Share-based payment under ESOS (Note 33)	–	–	–	–	–	–	**1,841**	–	**1,841**	–	**1,841**
Issue of ordinary shares pursuant to bonus issue exercise (Note 26)	**976,057**	**(976,057)**	–	–	–	–	–	–	–	–	–
Issue of ordinary shares pursuant to ESOS (Note 26)	**15,841**	**137,498**	–	–	–	–	–	–	**153,339**	–	**153,339**
Dividends (Note 39)	–	–	–	–	–	–	–	**(2,183,908)**	**(2,183,908)**	–	**(2,183,908)**
At 30 June 2008	**4,881,123**	**2,097,011**	**4,573,636**	**15,250**	**(416,340)**	**(41,752)**	**63,069**	**8,130,496**	**19,302,493**	**789,269**	**20,091,762**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Bank	<---------- Non-distributable ---------->							
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 July 2006	3,796,947	2,137,807	3,871,493	(21,206)	112,690	3,038	5,451,590	15,352,359
Currency translation differences	—	—	277	—	(104,030)	—	—	(103,753)
Unrealised net gain on revaluation of securities available-for-sale	—	—	—	304,470	—	—	—	304,470
Net gain/(loss) not recognised in the income statement	—	—	277	304,470	(104,030)	—	—	200,717
Net profit for the year	—	—	—	—	—	—	3,051,461	3,051,461
Total recognised income/ (expense) for the year	—	—	277	304,470	(104,030)	—	3,051,461	3,252,178
Transfer to statutory reserve	—	—	18,000	—	—	—	(18,000)	—
Share-based payment under ESOS								
– In respect of the Bank's employees (recognised in profit or loss) (Note 33)	—	—	—	—	—	50,527	—	50,527
– In respect of the subsidiaries' employees:								
• As capital injection (addition to costs of investment in subsidiaries)	—	—	—	—	—	5,068	—	5,068
• Payable by certain subsidiaries (as amount due to the Bank)	—	—	—	—	—	2,595	—	2,595
Issue of ordinary shares pursuant to ESOS (Note 26)	92,278	797,763	—	—	—	—	—	890,041
Dividends (Note 39)	—	—	—	—	—	—	(2,098,930)	(2,098,930)
At 30 June 2007	3,889,225	2,935,570	3,889,770	283,264	8,660	61,228	6,386,121	17,453,838

Bank (Cont'd.)	<---------- Non-distributable ---------->							
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 July 2007	**3,889,225**	**2,935,570**	**3,889,770**	**283,264**	**8,660**	**61,228**	**6,386,121**	**17,453,838**
Currency translation differences	—	—	—	—	**86,070**	—	—	**86,070**
Unrealised net gain on revaluation of securities available-for-sale	—	—	—	**(684,017)**	—	—	—	**(684,017)**
Net (loss)/gain not recognised in the income statement	—	—	—	**(684,017)**	**86,070**	—	—	**(597,947)**
Net profit for the year	—	—	—	—	—	—	**2,373,152**	**2,373,152**
Total recognised (expense)/income for the year	—	—	—	**(684,017)**	**86,070**	—	**2,373,152**	**1,775,205**
Transfer to statutory reserve	—	—	**594,000**	—	—	—	**(594,000)**	—
Share-based payment under ESOS								
– In respect of the Bank's employees (recognised in profit or loss) (Note 33)	—	—	—	—	—	**1,357**	—	**1,357**
– In respect of the subsidiaries' employees:								
• As capital injection (addition to costs of investment in subsidiaries)	—	—	—	—	—	**375**	—	**375**
• Payable by certain subsidiaries (as amount due to the Bank)	—	—	—	—	—	**109**	—	**109**
Issue of ordinary shares pursuant to share bonus issue exercise (Note 26)	**976,057**	**(976,057)**	—	—	—	—	—	—
Issue of ordinary shares pursuant to ESOS (Note 26)	**15,841**	**137,498**	—	—	—	—	—	**153,339**
Dividends (Note 39)	—	—	—	—	—	—	**(2,183,908)**	**(2,183,908)**
At 30 June 2008	**4,881,123**	**2,097,011**	**4,483,770**	**(400,753)**	**94,730**	**63,069**	**5,981,365**	**17,200,315**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation from:				
Continuing operations	**4,086,070**	4,363,698	**3,118,575**	3,892,704
Discontinued operation	**—**	—	**102,882**	259,143
Adjustments for:				
Share of losses of associates	**842**	6,633	**—**	—
Depreciation	**134,281**	145,225	**119,232**	128,233
Amortisation of prepaid land lease payment	**1,648**	1,660	**1,211**	1,194
Amortisation of intangible assets	**48,046**	35,638	**42,532**	29,182
Gain on disposal of property, plant and equipment	**(14,608)**	(1,397)	**(10,020)**	(175)
Gain on disposal of foreclosed properties	**(1,464)**	(3,688)	**—**	(1,645)
Net loss on disposal of held-for-trading securities	**37,087**	4,003	**26,502**	25,054
Net gain on disposal of available-for-sale securities	**(190,535)**	(272,632)	**(125,343)**	(203,180)
Net loss on redemption of held-to-maturity securities	**57**	269	**273**	238
Loss on disposal of associates	**300**	—	**1,800**	—
Gain on disposal of subsidiaries	**—**	(456)	**(5,487)**	(82,376)
Amortisation of premiums less accretion of discounts, net	**(28,784)**	53,029	**(1,697)**	59,152
Unrealised loss on revaluation of securities held-for-trading and derivatives	**200,434**	74,408	**167,983**	63,571
Write back of losses on securities, net	**(67,081)**	(28,769)	**(106,609)**	(7,128)
Impairment loss in associate	**—**	—	**28,884**	21,116
Loan and financing loss and allowances	**1,408,752**	1,485,873	**1,221,452**	1,201,439
Write back for other debts	**(7,075)**	(6,351)	**—**	—
Interest income clawed back/suspended	**48,300**	57,280	**48,300**	57,280
Amortisation of transaction cost in relation to issuance of Stapled Capital Securities	**2**	—	**2**	—
Carried forward	**5,656,272**	5,914,423	**4,630,472**	5,443,802

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Brought forward	**5,656,272**	5,914,423	**4,630,472**	5,443,802
Allowance for non-refundable deposit	**483,824**	—	**483,824**	—
Dividend income	**(40,495)**	(36,079)	**(28,220)**	(410,822)
Negative goodwill	**—**	(36,481)	**—**	(36,481)
Gain on disposal of investment properties	**—**	(384)	**—**	—
Fair value adjustment on investment properties	**—**	(9,333)	**—**	—
Share options granted under ESOS	**1,841**	58,190	**1,357**	50,527
Property, plant and equipment written off	**3,058**	18,822	**228**	1,997
Intangible assets written off	**529**	—	**—**	—
Impairment of property, plant and equipment	**134**	1,660	**—**	—
Profit equalisation reserves	**1,570**	(79,817)	**10,225**	(80,060)
Transfer of life, general takaful and family takaful fund surplus	**(167,977)**	(90,524)	**—**	—
Operating profit before working capital changes	**5,938,756**	5,740,477	**5,097,886**	4,968,963
Change in securities purchased under resale agreements	**258,772**	1,245,185	**258,772**	1,245,185
Change in deposits and placements with banks and other financial institutions	**8,391,906**	(13,297,012)	**6,764,302**	(12,550,084)
Change in securities portfolio	**(3,731,480)**	805,494	**(5,055,078)**	(1,242,136)
Change in loans, advances and financing	**(25,391,983)**	(10,954,235)	**(21,698,437)**	(9,633,822)
Change in other assets	**(1,212,989)**	(450,515)	**(1,480,222)**	(306,387)
Change in statutory deposits with Central Banks	**(220,181)**	(1,950,409)	**(101,364)**	(1,823,342)
Change in deposits from customers	**23,435,315**	27,398,592	**22,466,951**	24,438,619
Carried forward	**7,468,116**	8,537,577	**6,252,810**	5,096,996

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Brought forward	**7,468,116**	8,537,577	**6,252,810**	5,096,996
Change in deposits and placements of banks and other financial institutions	**(4,980,584)**	827,115	**(5,323,439)**	4,645,158
Change in obligations on securities sold under repurchase agreements	**(9,634,694)**	(2,319,073)	**(10,167,484)**	(727,430)
Change in bills and acceptances payable	**1,862,232**	(1,888,146)	**2,001,167**	(2,246,456)
Change in other liabilities	**157,276**	1,856,487	**3,428,507**	928,739
Change in life, general takaful and family takaful fund assets	**(484,133)**	(2,826,647)	**—**	—
Change in life, general takaful and family takaful fund liabilities and policy holders' funds	**652,110**	2,917,171	**—**	—
Exchange fluctuation	**1,344,621**	486,945	**1,343,072**	456,351
Cash (used in)/generated from operations	**(3,615,056)**	7,591,429	**(2,465,367)**	8,153,358
Taxes and zakat paid	**(1,632,714)**	(1,117,016)	**(1,320,281)**	(1,126,272)
Net cash (used in)/generated from operating activities	**(5,247,770)**	6,474,413	**(3,785,648)**	7,027,086
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(205,451)**	(227,186)	**(190,397)**	(158,111)
Purchase of intangible assets	**(38,383)**	(101,077)	**(33,676)**	(97,139)
Subscription to additional ordinary shares in new and existing subsidiaries	**—**	—	**(3,776,796)**	(33,200)
Capital injection in subsidiaries	**—**	—	**(48,211)**	(174,650)
Purchase of redeemable preference shares in associate	**(2,000)**	(3,915)	**(2,000)**	(3,915)
Acquisition of an associate	**(2,174,564)**	—	**—**	—
Carried forward	**(2,420,398)**	(332,178)	**(4,051,080)**	(467,015)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONT'D.)				
Brought forward	**(2,420,398)**	(332,178)	**(4,051,080)**	(467,015)
Proceeds from disposal of subsidiaries	**—**	(9,211)	**14,150**	265,500
Redemption of preference shares in a subsidiary	**—**	—	**157,500**	—
Proceeds from disposal of property, plant and equipment	**21,836**	65,783	**16,022**	6,706
Proceeds from disposal of investment properties	**—**	757	**—**	—
Dividends received	**40,494**	36,079	**28,220**	410,822
Net assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**1,477,807**	—
Net cash generated from investing activities	**(2,358,068)**	(238,770)	**(2,357,381)**	216,013
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	**201,839**	890,041	**153,339**	890,041
Proceeds from issuance of subordinated obligations	**—**	2,531,338	**—**	2,531,338
Redemption of subordinated obligations	**(1,312,710)**	—	**(1,312,710)**	—
Proceeds from issuance of Staple Capital Securities	**3,500,000**	—	**3,500,000**	—
Loans sold to Cagamas, net	**(1,181,693)**	(1,271,696)	**(1,181,693)**	(1,271,696)
Dividends paid	**(2,183,908)**	(2,098,930)	**(2,183,908)**	(2,098,930)
Dividends paid to minority interests	**—**	(12,482)	**—**	—
Net cash used in financing activities	**(976,472)**	38,271	**(1,024,972)**	50,753
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(8,582,310)**	6,273,914	**(7,168,001)**	7,293,852
Cash and cash equivalents at beginning of year *	**36,226,669**	31,323,508	**31,237,618**	26,907,057
	27,644,359	37,597,422	**24,069,617**	34,200,909
Cash and cash equivalents relating to the transfer of Islamic Banking operations, reclassified into assets transferred to subsidiary	**—**	—	**—**	(1,633,560)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**27,644,359**	37,597,422	**24,069,617**	32,567,349
* Cash and cash equivalents at beginning of year:				
– As previously reported	**37,597,422**	32,035,395	**32,567,349**	27,542,452
– Effects of foreign exchange rate changes	**(1,370,753)**	(711,887)	**(1,329,731)**	(635,395)
	36,226,669	31,323,508	**31,237,618**	26,907,057

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Bank is principally engaged in the business of banking and finance in all its aspects. On 1 January 2008, the Islamic Banking operations in Malaysia, previously included in the Bank's operations, were transferred to a wholly-owned subsidiary, Maybank Islamic Berhad as disclosed in Note 49(a) and 50(y). The Islamic Banking operations refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The subsidiaries are principally engaged in the businesses of Islamic banking, investment banking including stockbroking and discount house, general and life insurance, general and family takaful, leasing and factoring, trustee and nominee services, asset management and venture capital.

There were no significant changes in these activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 August 2008.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Accounting

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(ii) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRS, Amendments to FRS and Interpretations

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following FRS effective from the financial periods beginning 1 July 2007:

FRS 117 Leases
FRS 124 Related Party Disclosures
FRS 6 Exploration for and Evaluation of Mineral Resources
FRS 107 Cash Flow Statements
FRS 111 Construction Contracts
FRS 112 Income Taxes
FRS 118 Revenue
FRS 119 Employee Benefits
FRS 120 Accounting for Government Grants and Disclosures of Government Assistance
FRS 121 Amendment – The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 126 Accounting and Reporting by Retirements Benefit Plans
FRS 129 Financial Reporting in Hyperinflationary Economies
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7: Applying the Restatement Approach under FRS 129$_{2004}$ – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8: Scope of FRS 2

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Bank upon their initial application except for the following:

(a) FRS 117: Leases

Prior to 1 July 2007, lease of land held for own use was classified as property, plant and equipment and was stated at cost less amortisation and impairment loss. The adoption of the revised FRS 117: Leases with effect from 1 July 2007 resulted in a change in the accounting policy relating to the classification of leases of land. Under FRS 117, lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets.

As a result, leasehold land held for own use is now classified as operating lease. The up-front payments made represent prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term. The Group and the Bank have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. Certain comparatives of the balance sheets of the Group and the Bank as at 30 June 2007 have been restated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(iii) Subsidiaries and Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(xxx) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(iv) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(xxx) below.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets are amortised over their finite useful lives as follows:

Computer softwares	3 – 5 years

(vi) Securities Portfolio

The holdings of the securities portfolio of the Group and the Bank are recognised based on the following categories and valuation methods:

(a) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their values and derecognition of these securities are recognised in the income statements.

(b) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and Bank have the positive intent and ability to hold to maturity.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(vi) Securities Portfolio (Cont'd.)

(c) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value, or at cost (less impairment losses) if the fair value cannot be reliably measured. The return and cost of the securities available-for-sale are credited and charged to the income statement using accreted/amortised cost based on the effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(d) Impairment of securities portfolio

The Group assesses at each balance sheet date whether there is any objective evidence that a security or group of securities (other than securities held-for-trading) is impaired.

(i) Securities held-to-maturity

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

(ii) Securities available-for-sale

For securities available-for-sale in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(vii) Allowance for Doubtful Debts

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad and doubtful. Additional allowances are made for long outstanding non-performing loans aged more than five years.

In addition, a general allowance based on a certain percentage of total risk-weighted assets for credit risk, which takes into account all balance sheet items and their perceived credit risk levels, is maintained.

The allowance for doubtful debts and financing of the Group are computed based on the requirements of BNM/GP3, which is consistent with the adoption made in the previous audited annual financial statements.

(viii) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, in accordance with Note 3(xxx).

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases which ranges from 30 to 999 years. The remaining period of respective leases ranges from 8 to 983 years.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset over its estimated useful life at the following annual rates:

Buildings on freehold land	Over 50 years
Buildings on leasehold land	50 years or remaining life of the lease, whichever is shorter
Office furniture, fittings, equipment and renovations	10% – 25%
Computers and peripherals	14% – 25%
Electrical and security equipment	8% – 25%
Motor vehicles	20% – 25%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(ix) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rental or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(x) Other Assets

Other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(xi) Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as a liability on the balance sheet.

(xii) Bills and Acceptances Payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xiii) Provisions for Liabilities

Provisions for liabilities are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

(xiv) Liabilities

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(xv) Profit Equalisation Reserves ("PER") on Islamic Banking Scheme ("IBS") operations

PER is the amount provided in order to maintain a certain level of return for deposits in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total Islamic banking capital fund.

(xvi) Income Tax

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xvi) Income Tax (Cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(xvii) Leases

(a) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leased that do not transfer substantially all the risks and rewards are classified as operating leases, with following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 3(xvii)(b)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(b) Finance Lease – the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Bank's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(viii).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xvii) Leases (Cont'd.)

(c) Operating Lease – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(d) Operating Lease – the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 3(viii)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(xviii) Life Fund

The Life fund consists of long-term liabilities to policyholders, determined by an annual actuarial valuation, as well as accumulated surplus. The distributable surplus is transferable from the Life fund to the income statement based on the surplus determined by the actuarial valuation.

(xix) Takaful Funds

The Group's Takaful funds are operated under the Mudharabah and Wakalah models and are maintained in accordance with the requirements of the Takaful Act, 1984 and comply with the principles of Shariah.

(i) Family Takaful Fund

The Family Takaful fund consists of the amounts attributable to participants as determined by the annual actuarial valuation and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

(ii) General Takaful Fund

The General Takaful fund consists of unearned contribution reserves and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xx) Unearned Premium Reserves and Unearned Contribution Reserves

Unearned Premium Reserves ("UPR") and Unearned Contribution Reserves ("UCR") represent the portion of the net premiums and contribution of insurance policies and takaful certificates written that relate to the unexpired periods of policies and certificates at the end of the financial year. In determining the UPR and UCR at the balance sheet date, the method that most accurately reflect the actual unearned premium is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business.
- 1/24th method for other classes of Malaysian general policies and 1/365th method for all classes of general takaful within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding limits specified by Bank Negara Malaysia on:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical health	
– Standalone individuals	15%
– Group of 3 or more	10%
Workmen compensation and employers' liability	
– Foreign workers	10%
– Others	25%
Other classes	20%

- 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for commissions.
- Bond policies and non-annual certificates are time-apportioned over the periods of the risks.

(xxi) Provision for Outstanding Claims

For general insurance and general takaful businesses, a liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation using actual claims development pattern.

For life assurance and family takaful businesses, claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Claims and provisions for claims arising on life insurance and family takaful policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxii) Borrowings

Interest-bearing borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the borrowings on an effective interest method.

(xxiii) Interest and Financing Income Recognition

Interest income is recognised on an accrual basis based on effective interest method. Interest income includes the amortisation of premiums or accretion of discounts. Interest income on securities are recognised on an effective yield basis.

Interest income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements, which are either daily or monthly. Interest income from hire purchase, instalment sale financing, block discounting and leasing transactions is accounted for on the "sum-of-the-digits" method, whereby the income recognised for each month is obtained by multiplying the total income by a fraction whose numerator is the digit representing the remaining number of months and whose denominator is the sum of the digits representing the total number of months.

Where an account has turned non-performing, interest accrued previously but has not been received is reversed out of income, and set-off against the accrued interest receivable in the balance sheet with retroactive adjustment made to the date of first default. Thereafter, interest on these accounts are recognised on a cash basis until such time as the accounts are no longer classified as non-performing. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months and one month after maturity date for trade bills, bankers' acceptances and trust receipts. Credit card holders are deemed non-performing where repayments are in arrears for more than three months from first day of default.

Income from the IBS business is recognised on the accrual basis in compliance with Bank Negara Malaysia Guidelines.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan in accordance with Bank Negara Malaysia Circular on Handling Fees dated 16 October 2006 and is set off against interest income recognised on the hire purchase loans.

(xxiv) Fee and Other Income Recognition

Loan arrangement, management and participation fees, factoring commissions, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income is recognised when the shareholder's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxiv) Fee and Other Income Recognition (Cont'd.)

Premiums and contributions from general insurance and general takaful businesses, respectively, are recognised as income in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Premiums and contributions for life assurance and family takaful businesses, respectively, are recognised as income on assumption of risks and subsequent premiums are recognised on due dates. Premiums outstanding at balance sheet date are recognised as income for the period provided they are still within the grace period allowed for payment. Contribution income on long term policies is recognised as earned based on the time-apportionment method.

Gross contributions for takaful business are accounted for on accrual basis in accordance with the Principles of Shariah as advised by Mayban Takaful Berhad's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities in the balance sheet.

Rollover fees on margin accounts and management fees from asset management are recognised on an accrual basis.

(xxv) Interest, Financing and Related Expense Recognition

Interest expense and attributable profit (on activities relating to IBS business) on deposits and borrowings of the Group and the Bank are expensed as incurred.

(xxvi) Employee Benefits

(a) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Certain foreign branches of the Bank and subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxvi) Employee Benefits (Cont'd.)

(c) Share-based Compensation

The Maybank Group's Employee Share Options Scheme ("ESOS") is an equity-settled share-based compensation plan that allows the Group's Directors and employees to acquire shares of the Bank. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(xxvii) Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's primary functional currency.

(b) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Bank's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in profit or loss in the Bank's separate financial statements or the individual financial statements of the foreign operations, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxvii) Foreign Currencies (Cont'd.)

(b) Foreign Currency Transactions (Cont'd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent entity and are recorded in RM at the rates prevailing at the date of acquisition.

(xxviii) Derivative Instruments

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception and subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

The gain or loss for derivatives that qualify for hedge accounting is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in a separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxix) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances and short-term funds with remaining maturity of less than one month.

(xxx) Impairment of Assets

The carrying amounts of assets, other than securities portfolio, goodwill, intangible assets with indefinite useful life, investment property and deferred tax, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxxi) Non-current Assets Held for Sale and Discontinued Operation

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than the investment properties, deferred tax assets, employees benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Bank is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale.

(xxxii) Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRS was issued but not yet effective and has not been applied by the Group and the Bank:

FRS	Effective for financial periods beginning on or after
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010

The Group and the Bank are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139 by virtue of exemptions stipulated in the respective FRS.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are as follows:

(i) Fair Value Estimation of Securities Held-for-trading (Note 8(i)), Securities Available-for-sale (Note 8(ii)) and Derivative Financial Instruments (Note 10)

The fair value of securities and derivatives that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flow method.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(ii) Valuation of Investment Properties (Note 12)

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent professional valuers.

(iii) Impairment of Goodwill (Note 17)

The Group tests annually whether the goodwill that has an indefinite life has suffered any impairment by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment.

(iv) Impairment of Other Intangible Assets (Note 17)

The Group's and the Bank's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires the Bank's management to analyse the circumstances, the industry and market practice and also to use judgement. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

(v) Liabilities of Insurance Business (Note 20)

The actuarial estimate of future contingent policy liabilities is computed in accordance with the standards and bases prescribed under the Insurance Act and Regulations, and uses a level net premium methodology with allowances for acquisition costs through the application of zilmer or full preliminary term adjustments, whichever produces higher reserves.

For general claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with Bank Negara Malaysia guidelines. As and when more information becomes available regarding a claim, the reserve is amended accordingly.

(vi) Deferred Tax (Note 23) and Income Taxes (Note 37)

The Group and the Bank are subject to income taxes in many jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(vii) Allowances for Bad and Doubtful Debts (Note 9(vii) and Note 35)

The Group and the Bank review the doubtful loans, advances and financing at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans, and the estimation of realisable amount from the doubtful loans when determining the level of allowance required.

The Group and the Bank have adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months (one (1) month after maturity date for trade bills, bankers' acceptances and trust receipts). Specific allowances for doubtful loans are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate and conforms with BNM guidelines. In addition to the specific allowances made, the Group and the Bank also make general allowance against exposure not specifically identified based on a certain percentage of total risk-weighted assets for credit risk. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(viii) Impairment of Investment in Subsidiaries (Note 14) and Interests in Associates (Note 15)

The Group and the Bank assess whether there is any indication that an investment in subsidiaries and interest in associates may be impaired at each balance sheet date.

If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets' and the assets' estimated recoverable amount.

The judgements made by management in the process of applying the Group and Bank's accounting policies in respect of investment in subsidiaries and interest in associates are as follows:

(i) The Company determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals.

(ii) Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, net tangible asset, realisable net asset value and sector average price-earning ratio methods.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the balance sheet date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Sensitivity to changes in assumptions

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash, balances and deposits with banks and other financial institutions	**27,444,984**	37,399,601	**24,047,978**	34,155,189
Money at call	**199,375**	197,821	**21,639**	45,720
	27,644,359	37,597,422	**24,069,617**	34,200,909
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(1,633,560)
	27,644,359	37,597,422	**24,069,617**	32,567,349

Included in cash and short-term funds of the Group are monies held in trust of RM127,643,000 (2007: RM133,570,000) in respect of the stockbroking business.

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Licensed banks	**7,778,478**	13,880,375	**8,124,261**	13,326,543
Bank Negara Malaysia	**955,967**	3,154,235	**449,162**	1,920,560
Other financial institutions *	**222,070**	313,811	**222,069**	313,811
	8,956,515	17,348,421	**8,795,492**	15,560,914
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(1,120)
	8,956,515	17,348,421	**8,795,492**	15,559,794

* Included in deposits and placements with other financial institutions is USD10,000,000 (2007: RM Nil) or Ringgit Malaysia equivalent of RM32,655,000 (2007: RM Nil) pledged with the New York State Banking Department in satisfaction of capital equivalency deposit requirements.

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(i) The underlying securities purchased under resale agreements are as follows:

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Malaysian Government Securities	**—**	142,344	**—**	142,344
Foreign government treasury bills	**—**	116,428	**—**	116,428
	—	258,772	**—**	258,772

The fair value of securities accepted as collateral under the resale agreements that the Bank is permitted to sell or repledge in the absence of default by the counterparties is RM Nil (2007: RM264,972,577).

(ii) The securities sold under repurchase agreements are as follows:

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Securities (Note 8(iv)(b))	**322,371**	5,572,738	**322,371**	5,954,421
Bankers' acceptances (Note 9(viii))	**—**	4,384,327	**—**	4,384,327
Short term revolving credits (Note 9(viii))	**—**	—	**—**	151,107
	322,371	9,957,065	**322,371**	10,489,855

8. SECURITIES PORTFOLIO

		Group		Bank	
	Note	**2008 RM'000**	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Securities held-for-trading	(i)	**880,794**	2,032,634	**418,170**	1,447,227
Securities available-for-sale	(ii)	**34,484,135**	29,124,704	**28,620,398**	25,213,654
Securities held-to-maturity	(iii)	**1,186,227**	2,534,392	**672,972**	1,964,064
		36,551,156	33,691,730	**29,711,540**	28,624,945
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations		**—**	—	**—**	(3,246,350)
		36,551,156	33,691,730	**29,711,540**	25,378,595

8. SECURITIES PORTFOLIO (CONT'D.)

(i) Securities Held-for-Trading

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value				
Money Market Instruments:				
Malaysian Government Securities	**38,947**	—	**38,947**	—
Malaysian Government Treasury Bills	**19,917**	52,997	**19,917**	52,997
Malaysian Government Investment Issues	**9,536**	—	**9,536**	—
Bank Negara Malaysia Bills	**—**	579,205	**—**	579,205
Bank Negara Malaysia Monetary Notes	**4,112**	288,373	**4,112**	288,373
Foreign Government Securities	**268**	—	**—**	—
	72,780	920,575	**72,512**	920,575
Quoted Securities:				
Shares	**23,689**	—	**23,689**	—
	23,689	—	**23,689**	—
Unquoted Securities:				
Malaysian Government Bonds	**35,189**	—	**35,189**	—
Foreign private debt securities	**286,780**	526,652	**286,780**	526,652
Islamic private debt securities in Malaysia	**462,356**	585,407	**—**	—
	784,325	1,112,059	**321,969**	526,652
Total securities held-for-trading	**880,794**	2,032,634	**418,170**	1,447,227

8. SECURITIES PORTFOLIO (CONT'D.)

(ii) Securities Available-for-Sale

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value, or at cost less impairment losses for certain unquoted equity instruments				
Money market instruments:				
Malaysian Government Securities	**4,779,401**	3,034,542	**4,339,911**	2,377,960
Cagamas Bonds	**552,925**	748,781	**330,348**	462,758
Foreign government securities	**3,699,181**	3,261,092	**3,602,495**	3,198,175
Malaysian Government Treasury Bills	**29,915**	—	**29,915**	—
Malaysian Government Investment Issues	**4,144,204**	3,873,649	**2,643,988**	3,718,743
Bank Negara Malaysia Bills	**49,962**	35,580	**49,962**	35,580
Foreign government treasury bills	**943,965**	652,052	**817,769**	529,286
Negotiable instruments of deposits	**907,399**	2,288,651	**2,868,290**	2,676,010
Bankers' acceptances and Islamic accepted bills	**1,955,570**	3,198,835	**1,278,786**	3,198,835
Khazanah Bonds	**889,737**	929,845	**345,341**	734,194
Bank Negara Malaysia Sukuk Ijarah	**—**	40,072	**—**	40,072
Bank Negara Malaysia Monetary Notes	**787,150**	—	**787,150**	—
Foreign certificates of deposits	**216,237**	230,539	**—**	—
	18,955,646	18,293,638	**17,093,955**	16,971,613
Quoted Securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**508,255**	631,387	**165,835**	267,733
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**106,536**	164,184	**58,150**	104,342
	614,791	795,571	**223,985**	372,075
Unquoted Securities:				
Shares, trust units and loan stocks in Malaysia	**777,089**	807,028	**507,187**	545,617
Shares, trust units and loan stocks outside Malaysia	**32,152**	23,743	**15,776**	13,747
Islamic private debt securities in Malaysia	**9,164,822**	4,477,735	**6,191,994**	3,002,583
Malaysian Government Bonds	**314,664**	296,849	**314,664**	296,849
Foreign government bonds	**73,138**	79,367	**—**	—
Malaysia Global Sukuk	**—**	86,432	**—**	—
Credit linked notes (Note 8(iv)(c))	**245,012**	426,367	**245,012**	426,367
Foreign Islamic private debt securities (Note 8(iv)(d))	**4,306,821**	3,837,974	**4,027,825**	3,584,803
	14,913,698	10,035,495	**11,302,458**	7,869,966
Total securities available-for-sale	**34,484,135**	29,124,704	**28,620,398**	25,213,654

8. SECURITIES PORTFOLIO (CONT'D.)

(iii) Securities Held-to-Maturity

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Securities	**103,635**	1,025,981	**103,076**	1,025,422
Cagamas Bonds	**13,409**	224,057	**1,670**	212,299
Foreign government securities	**152,962**	207,572	**—**	—
Malaysian Government Investment Issues	**80**	80	**—**	—
	270,086	1,457,690	**104,746**	1,237,721
Unquoted Securities:				
Islamic private debt securities in Malaysia	**355,443**	547,977	**76,265**	197,627
Malaysian Government Bonds	**42,559**	45,139	**42,559**	45,139
Foreign government bonds	**—**	9	**—**	—
Foreign Islamic private debt securities	**535,275**	327,973	**466,523**	327,973
Credit linked note (Note 8(iv)(c))	**—**	172,725	**—**	172,725
Others	**2,044**	2,044	**2,044**	2,044
	935,321	1,095,867	**587,391**	745,508
Accumulated impairment losses	**(19,180)**	(19,165)	**(19,165)**	(19,165)
Total securities held-to-maturity	**1,186,227**	2,534,392	**672,972**	1,964,064
Indicative value of unquoted securities held-to-maturity:				
Malaysian Government Securities	**100,917**	1,027,310	**100,822**	1,026,728
Cagamas Bonds	**1,669**	223,738	**1,669**	211,989
Foreign government securities	**152,961**	207,572	**—**	—
Malaysian Government Investment Issues	**—**	81	**—**	—
Islamic private debt securities in Malaysia	**56,327**	527,271	**56,327**	177,661
Malaysian Government Bonds	**44,247**	47,541	**44,247**	47,541
Foreign government bonds	**—**	9	**—**	—
Foreign Islamic private debt securities	**549,441**	342,244	**480,689**	342,244
Credit linked note	**—**	172,725	**—**	172,725
Others	**2,044**	2,044	**2,044**	2,044

8. SECURITIES PORTFOLIO (CONT'D.)

(iv) Other disclosures

(a) The maturity structure of money market instruments available-for-sale and held-to-maturity are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Maturity within one year	**6,518,195**	9,180,631	**5,642,452**	8,892,730
One year to three years	**3,642,182**	4,391,849	**2,150,118**	3,817,364
Three years to five years	**4,845,208**	2,728,786	**5,311,759**	2,375,777
After five years	**4,220,147**	3,450,062	**4,094,372**	3,123,463
	19,225,732	19,751,328	**17,198,701**	18,209,334

(b) Included in the securities available-for-sale and held-to-maturity are the following securities sold under repurchase agreements:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysian Government Securities	**—**	1,006,935	**—**	1,006,818
Cagamas Bonds	**—**	211,785	**—**	211,785
Negotiable instruments of deposits	**—**	1,126,310	**—**	1,659,998
Bankers' acceptances and Islamic accepted bills	**—**	2,418,202	**—**	2,418,202
Private debt securities	**322,371**	809,506	**322,371**	657,618
	322,371	5,572,738	**322,371**	5,954,421

(c) Included in securities available-for-sale and held-to-maturity are credit linked notes with a face value of USD90,000,000 (2007: USD175,000,000) or Ringgit Malaysia equivalent of RM293,895,000 (2007: RM604,537,500) with embedded credit default swaps. The notes would be redeemed at face values on their respective maturity dates provided there is no occurrence of a specified credit event affecting the reference entities or their obligations. If there is an occurrence of a credit event, the underlying asset (the reference obligation of the reference entity), or a cash settlement amount to be determined with reference to the market value of the underlying asset in accordance with the terms of the contract, would be delivered by the issuer of the note.

(d) Included in foreign Islamic private debt securities in securities available-for-sale of the Group and the Bank above is an amount of USD Nil (2007: USD10,000,000) or Ringgit Malaysia equivalent of RM Nil (2007: RM34,545,000) pledged with the New York State Banking Department in satisfaction of capital equivalency deposit requirements. During the current financial year, the capital equivalency deposit requirements are met as disclosed in Note 6.

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Overdrafts	**13,991,903**	13,801,836	**11,940,569**	13,766,775
Term loans				
– Housing loans/financing	**30,529,958**	26,980,875	**25,677,249**	26,850,921
– Syndicated loan/financing	**11,307,954**	9,954,678	**8,899,119**	7,559,442
– Hire purchase receivables	**31,767,799**	26,121,500	**22,931,657**	26,121,500
– Lease receivables	**3,796**	7,954	**3,796**	7,954
– Other loans/financing	**45,469,560**	41,358,326	**33,302,664**	39,359,046
Credit card receivables	**3,459,441**	2,871,567	**3,459,441**	2,871,567
Bills receivable	**2,130,068**	1,543,665	**2,026,654**	1,511,273
Trust receipts	**2,216,693**	2,969,625	**2,001,697**	2,896,203
Claims on customers under acceptance credits	**13,728,112**	8,434,367	**9,661,171**	8,439,619
Loans/financing to banks and other financial institutions	**9,580,463**	10,289,507	**9,580,173**	10,289,507
Revolving credits	**17,486,917**	13,360,174	**17,064,091**	13,259,610
Staff loans	**1,213,646**	986,795	**954,499**	932,025
	182,886,310	158,680,869	**147,502,780**	153,865,442
Housing loans to				
– Executive director of the Bank	**—**	123	**—**	123
– Executive directors of subsidiaries	**972**	1,719	**972**	1,719
Others	**121,139**	180,919	**—**	—
	183,008,421	158,863,630	**147,503,752**	153,867,284
Unearned interest and income	**(11,791,307)**	(11,366,360)	**(3,215,208)**	(11,334,154)
Gross loans, advances and financing	**171,217,114**	147,497,270	**144,288,544**	142,533,130
Allowances for bad and doubtful debts/financing				
– Specific	**(3,229,837)**	(3,875,219)	**(2,574,307)**	(3,696,358)
– General	**(3,187,611)**	(2,757,315)	**(2,728,516)**	(2,613,274)
	164,799,666	140,864,736	**138,985,721**	136,223,498
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(17,666,463)
Net loans, advances and financing	**164,799,666**	140,864,736	**138,985,721**	118,557,035

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Domestic operations:				
Domestic non-bank financial institutions				
– Stockbroking companies	**136,032**	163,268	**135,853**	163,088
– Others	**10,802,344**	9,758,406	**9,273,341**	9,748,355
Domestic business enterprise				
– Small and medium enterprise	**28,374,741**	23,457,406	**23,561,485**	23,464,107
– Others	**23,931,302**	21,390,132	**20,970,409**	21,272,776
Government and statutory bodies	**176,827**	222,050	**65,314**	222,050
Individuals	**58,017,124**	53,329,288	**45,534,182**	53,274,983
Other domestic entities	**164,327**	202,020	**31,767**	46,398
Foreign entities	**483,202**	381,348	**423,877**	361,569
Total domestic operations	**122,085,899**	108,903,918	**99,996,228**	108,553,326
Overseas operations:				
Singapore	**36,976,691**	28,042,055	**36,976,691**	28,042,055
Labuan offshore	**3,825,321**	3,813,701	**—**	—
Hong Kong SAR	**2,734,133**	2,174,984	**2,734,133**	2,174,984
United States of America	**1,230,560**	1,218,424	**1,230,560**	1,218,424
People's Republic of China	**799,411**	696,326	**799,411**	696,326
Vietnam	**549,621**	391,445	**549,621**	391,445
United Kingdom	**1,299,853**	866,331	**1,299,853**	866,332
Brunei	**155,298**	163,049	**155,298**	163,049
Cambodia	**174,885**	104,195	**174,885**	104,195
Bahrain	**371,864**	322,994	**371,864**	322,994
Philippines	**766,221**	682,381	**—**	—
Indonesia	**197,991**	87,813	**—**	—
Papua New Guinea	**49,366**	29,654	**—**	—
Total overseas operations	**49,131,215**	38,593,352	**44,292,316**	33,979,804
Gross loans, advances and financing	**171,217,114**	147,497,270	**144,288,544**	142,533,130

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed rate				
– Housing loans/financing	**11,057,861**	11,047,846	**6,905,007**	10,860,914
– Hire purchase receivables	**26,744,656**	21,898,806	**19,384,816**	21,731,957
– Other fixed rate loans/financing	**13,673,676**	14,332,124	**10,316,056**	14,199,453
Variable rate				
– Base lending rate plus	**59,250,264**	53,682,867	**55,866,545**	53,614,209
– Cost plus	**20,383,788**	14,442,609	**16,038,791**	14,249,846
– Other variable rates	**40,106,869**	32,093,018	**35,777,329**	27,876,751
Gross loans, advances and financing	**171,217,114**	147,497,270	**144,288,544**	142,533,130

(iii) Loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Domestic operations:				
Purchase of securities	**10,336,662**	9,336,069	**10,132,879**	9,114,564
Purchase of transport vehicles	**17,791,196**	13,864,267	**9,958,723**	13,855,560
– less Islamic housing loans sold to Cagamas	**(611,346)**	(787,228)	**—**	(787,228)
Purchase of landed properties				
– residential	**24,269,350**	24,621,251	**18,752,859**	24,577,064
– non-residential	**6,429,515**	6,305,032	**5,812,909**	6,304,373
– less Islamic housing loans sold to Cagamas	**(362,256)**	(408,915)	**—**	(408,915)
Purchase of fixed assets (exclude landed properties)	**3,798**	3,363	**3,798**	3,363
Personal use	**3,326,392**	3,138,004	**2,982,302**	3,138,044
Credit card	**3,196,102**	2,631,699	**3,196,102**	2,631,699
Purchase of consumer durables	**12,283**	50,335	**12,155**	50,301
Construction	**5,456,547**	5,547,948	**4,590,098**	5,546,112
Working capital	**51,294,293**	43,352,731	**43,778,260**	43,357,532
Others	**943,363**	1,249,362	**776,143**	1,170,857
Total domestic operations	**122,085,899**	108,903,918	**99,996,228**	108,553,326

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Loans, advances and financing analysed by economic purpose are as follows: (Cont'd.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Overseas operations:				
Singapore	**36,976,691**	28,042,055	**36,976,691**	28,042,055
Labuan offshore	**3,825,321**	3,813,701	**—**	—
Hong Kong SAR	**2,734,133**	2,174,984	**2,734,133**	2,174,984
United States of America	**1,230,560**	1,218,424	**1,230,560**	1,218,424
People's Republic of China	**799,411**	696,326	**799,411**	696,326
Vietnam	**549,621**	391,445	**549,621**	391,445
United Kingdom	**1,299,853**	866,331	**1,299,853**	866,332
Brunei	**155,298**	163,049	**155,298**	163,049
Cambodia	**174,885**	104,195	**174,885**	104,195
Bahrain	**371,864**	322,994	**371,864**	322,994
Philippines	**766,221**	682,381	**—**	—
Indonesia	**197,991**	87,813	**—**	—
Papua New Guinea	**49,366**	29,654	**—**	—
Total overseas operations	**49,131,215**	38,593,352	**44,292,316**	33,979,804
Gross loans, advances and financing	**171,217,114**	147,497,270	**144,288,544**	142,533,130

(iv) The maturity structure of loans, advances and financing is as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Maturity within one year	**60,450,503**	50,332,961	**52,351,085**	49,198,621
One year to three years	**13,606,628**	11,864,017	**11,592,043**	10,652,937
Three years to five years	**17,560,032**	16,254,069	**14,379,816**	15,081,327
After five years	**79,599,951**	69,046,223	**65,965,600**	67,600,245
Gross loans, advances and financing	**171,217,114**	147,497,270	**144,288,544**	142,533,130

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(v) Movements in the non-performing loans, advances and financing ("NPL") are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Balance at beginning of year	**8,258,214**	9,211,938	**8,054,673**	8,757,597
Non-performing during the year	**3,894,201**	4,506,633	**3,471,106**	4,470,979
Reclassified as performing	**(2,304,117)**	(3,004,543)	**(2,070,771)**	(2,853,189)
Acquisition of subsidiaries	**—**	—	**—**	—
Acquisition of businesses of KBB and AMEX	**—**	77,008	**—**	77,008
Transfer from subsidiaries pursuant to Investment Bank Rationalisation Programme	**—**	—	**—**	22,554
Recovered during the year	**(1,740,968)**	(1,122,873)	**(1,511,268)**	(1,047,068)
Amount written off	**(1,569,501)**	(846,928)	**(1,420,809)**	(825,719)
Converted to securities	**(47,188)**	(63,799)	**(47,188)**	(63,798)
Converted to properties	**(5,700)**	—	**(5,700)**	—
Net amount transferred to Maybank Islamic Berhad	**—**	—	**(1,245,328)**	—
Sale of NPL (Note 49(e))	**(97,615)**	(512,313)	**(97,615)**	(512,313)
Exchange differences and expenses debited to customers' accounts	**85,122**	13,091	**87,112**	28,622
Balance at end of year	**6,472,448**	8,258,214	**5,214,212**	8,054,673
Less:				
– Specific allowance	**(3,229,837)**	(3,875,219)	**(2,574,307)**	(3,696,358)
Net balance	**3,242,611**	4,382,995	**2,639,905**	4,358,315
Gross loans, advances and financing	**171,217,114**	147,497,270	**144,288,544**	142,533,130
Add: Islamic loans sold to Cagamas	**973,603**	1,196,143	**—**	1,196,143
	172,190,717	148,693,413	**144,288,544**	143,729,273
Less:				
– Specific allowance	**(3,229,837)**	(3,875,219)	**(2,574,307)**	(3,696,358)
Net loan, advances and financing (including Islamic loans sold to Cagamas)	**168,960,880**	144,818,194	**141,714,237**	140,032,915
Ratio of net non-performing loans	**1.92%**	3.03%	**1.86%**	3.11%

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vi) Non-performing loans analysed by economic purpose are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Domestic operations:				
Purchase of securities	**235,595**	339,314	**141,008**	272,047
Purchase of transport vehicles	**113,949**	137,861	**85,480**	137,394
Purchase of landed properties				
– residential	**2,054,284**	2,584,797	**1,540,594**	2,582,761
- non-residential	**384,991**	473,242	**341,498**	473,242
Purchase of fixed assets (exclude landed properties)	**—**	9,625	**—**	9,625
Personal use	**205,453**	258,919	**170,885**	258,919
Credit card	**39,488**	42,902	**39,488**	42,902
Purchase of consumer durables	**1,073**	1,299	**1,069**	1,299
Construction	**413,657**	678,537	**277,209**	678,537
Working capital	**2,583,576**	2,619,262	**2,273,731**	2,619,262
Others	**33,895**	477,892	**28,896**	458,908
Total domestic operations	**6,065,961**	7,623,650	**4,899,858**	7,534,896
Overseas operations:				
Singapore	**237,782**	408,636	**237,782**	408,636
Labuan offshore	**61,287**	52,653	**—**	—
Hong Kong SAR	**25,716**	33,927	**25,716**	33,927
Brunei	**41,076**	37,378	**41,076**	37,378
Vietnam	**9,488**	27,738	**9,488**	27,738
People's Republic of China	**292**	8,514	**292**	8,514
Cambodia	**—**	3,584	**—**	3,584
Papua New Guinea	**3,073**	3,223	**—**	—
Philippines	**27,773**	58,911	**—**	—
Indonesia	**—**	—	**—**	—
Total overseas operations	**406,487**	634,564	**314,354**	519,777
	6,472,448	8,258,214	**5,214,212**	8,054,673

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Movements in the allowance for bad and doubtful debts are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Specific allowance:				
Balance at beginning of year	**3,875,219**	4,010,299	**3,696,358**	3,805,936
Allowance made during the year	**1,649,562**	1,733,021	**1,451,779**	1,687,783
Amount written back in respect of recoveries	**(701,148)**	(584,810)	**(563,134)**	(569,397)
Acquisition of businesses of KBB and AMEX	**—**	50,709	**—**	50,709
Amount written off	**(1,569,501)**	(1,233,023)	**(1,420,809)**	(1,211,814)
Transfer to general allowance	**(7,366)**	(32,724)	**(4,302)**	(9,812)
Transfer to impairment losses in value of securities	**(8,651)**	(8,488)	**(8,651)**	(8,488)
Transfer to restructured/rescheduled loans and financing	**(15,636)**	(39,055)	**(15,636)**	(33,765)
Amount transferred to Maybank Islamic Berhad	**—**	—	**(579,816)**	—
Exchange differences	**7,358**	(20,710)	**18,518**	(14,794)
Balance at end of year	**3,229,837**	3,875,219	**2,574,307**	3,696,358
General allowance:				
Balance at beginning of year	**2,757,315**	2,415,073	**2,613,274**	2,258,397
Allowance made during the year	**437,587**	361,053	**407,326**	343,381
Amount written back	**(22,418)**	(41,802)	**—**	—
Amount transferred to Maybank Islamic Berhad	**—**	—	**(307,891)**	—
Acquisition of business of KBB	**—**	3,419	**—**	3,419
Transfer from subsidiaries	**—**	—	**—**	5,352
Transfer from specific allowance	**7,366**	32,724	**4,302**	9,812
Exchange differences	**7,761**	(13,152)	**11,505**	(7,087)
Balance at end of year	**3,187,611**	2,757,315	**2,728,516**	2,613,274
As a percentage of total loans (including Islamic loans sold to Cagamas, less specific allowance)	**1.89%**	1.90%	**1.93%**	1.87%

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Movements in the allowance for bad and doubtful debts are as follows: (Cont'd.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
As a percentage of total risk-weighted assets for credit risk excluding deferred tax assets	**1.68%**	1.68%	**1.76%**	1.73%

(viii) Included in loans, advances and financing of the Bank are bankers' acceptances and short term revolving credits sold under repurchase agreements amounting to RM Nil (2007: RM4,384,327,069) and RM Nil (2007: RM151,106,785) respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	2008			2007		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
Group	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
Currency forward	**13,644,197**	**165,069**	**(95,999)**	15,248,297	62,594	(40,729)
Currency swaps	**39,531,712**	**159,343**	**(275,742)**	35,436,563	68,670	(368,587)
Options	**2,893,206**	**18,486**	**(13,909)**	870,962	4,615	(4,498)
	56,069,115	**342,898**	**(385,650)**	51,555,822	135,879	(413,814)
Interest rate related contracts:						
Interest rate swaps	**44,447,327**	**487,252**	**(669,447)**	29,582,852	258,991	(242,891)
Total derivative assets/(liabilities)		**830,150**	**(1,055,097)**		394,870	(656,705)

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	2008			2007		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
Bank	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
Currency forward	**15,859,784**	**165,069**	**(95,999)**	15,248,297	62,594	(40,729)
Currency swaps	**39,531,712**	**159,343**	**(275,742)**	35,436,563	68,670	(368,587)
Options	**677,619**	**18,486**	**(13,909)**	870,962	4,615	(4,498)
	56,069,115	**342,898**	**(385,650)**	51,555,822	135,879	(413,814)
Interest rate related contracts:						
Interest rate swaps	**42,362,974**	**485,284**	**(641,398)**	29,034,969	254,527	(231,046)
Total derivative assets/(liabilities)		**828,182**	**(1,027,048)**		390,406	(644,860)

11. OTHER ASSETS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest receivables	**825,087**	813,824	**759,031**	719,037
Prepayments and deposits	**335,980**	304,667	**328,790**	291,846
Other debtors	**2,395,812**	1,897,703	**1,803,306**	765,715
Tax recoverable	**117,874**	123,155	**—**	—
Foreclosed properties	**124,377**	118,028	**62,561**	56,816
Prepaid land lease payment (Note (a))	**116,557**	118,016	**86,358**	87,195
	3,915,687	3,375,393	**3,040,046**	1,920,609
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(73,476)
	3,915,687	3,375,393	**3,040,046**	1,847,133

11. OTHER ASSETS (CONT'D.)

(a) Prepaid land lease payments

Group	Leasehold Land		
	Less Than 50 Years RM'000	50 Years or More RM'000	Total RM'000
As at 30 June 2008			
Cost			
Balance at 1 July 2007	**6,413**	**135,460**	**141,873**
Additions	**—**	**554**	**554**
Disposals	**—**	**(1,554)**	**(1,554)**
Exchange differences	**—**	**1,350**	**1,350**
Balance at 30 June 2008	**6,413**	**135,810**	**142,223**
Accumulated Depreciation and Impairment Losses			
Balance at 1 July 2007			
Accumulated depreciation	**2,400**	**21,457**	**23,857**
Charge for the year	**146**	**1,502**	**1,648**
Impairment losses	**—**	**184**	**184**
Disposals	**—**	**(102)**	**(102)**
Exchange differences	**—**	**79**	**79**
Balance at 30 June 2008	**2,546**	**23,120**	**25,666**
Analysed as:			
Accumulated depreciation	**2,546**	**22,936**	**25,482**
Accumulated impairment losses	**—**	**184**	**184**
	2,546	**23,120**	**25,666**
Net Carrying Amount			
At 30 June 2008	**3,867**	**112,690**	**116,557**

11. OTHER ASSETS (CONT'D.)

(a) Prepaid land lease payments (Cont'd.)

Group (Cont'd.)	Leasehold Land: Less Than 50 Years RM'000	Leasehold Land: 50 Years or More RM'000	Total RM'000
As at 30 June 2007			
Cost			
As at 1 July 2006			
– As previously stated	—	—	—
– Reclassification from property and equipment upon adoption of FRS 117	7,841	145,907	153,748
	7,841	145,907	153,748
Additions	—	828	828
Disposals	(345)	(13,108)	(13,453)
Transfers	256	2,708	2,964
Exchange differences	(1,339)	(875)	(2,214)
Balance at 30 June 2007	6,413	135,460	141,873
Accumulated Depreciation and Impairment Losses			
Balance at 1 July 2006			
Accumulated depreciation			
– As previously stated	—	—	—
– Reclassification from property and equipment upon adoption of FRS 117	3,358	22,156	25,514
	3,358	22,156	25,514
Charge for the year	160	1,500	1,660
Disposals	(125)	(858)	(983)
Transfers	(352)	(141)	(493)
Exchange differences	(641)	(1,200)	(1,841)
Balance at 30 June 2007	2,400	21,457	23,857
Analysed as:			
Accumulated depreciation	2,400	21,457	23,857
Net Carrying Amount			
At 30 June 2007	4,013	114,003	118,016

11. OTHER ASSETS (CONT'D.)

(a) Prepaid land lease payments (Cont'd.)

	Leasehold Land		
Bank	Less Than 50 Years RM'000	50 Years or More RM'000	Total RM'000
As at 30 June 2008			
Cost			
Balance at 1 July 2007	**6,413**	**98,949**	**105,362**
Additions	**—**	**554**	**554**
Disposals	**—**	**(1,554)**	**(1,554)**
Exchange differences	**—**	**1,350**	**1,350**
Balance at 30 June 2008	**6,413**	**99,299**	**105,712**
Accumulated Depreciation and Impairment Losses			
Balance at 1 July 2007			
Accumulated depreciation	**2,399**	**15,768**	**18,167**
Charge for the year	**146**	**1,065**	**1,211**
Disposals	**—**	**(103)**	**(103)**
Exchange differences	**—**	**79**	**79**
Balance at 30 June 2008	**2,545**	**16,809**	**19,354**
Analysed as:			
Accumulated depreciation	**2,545**	**16,809**	**19,354**
Net Carrying Amount			
At 30 June 2008	**3,868**	**82,490**	**86,358**

11. OTHER ASSETS (CONT'D.)

(a) Prepaid land lease payments (Cont'd.)

Bank (Cont'd.)	Leasehold Land: Less Than 50 Years RM'000	Leasehold Land: 50 Years or More RM'000	Total RM'000
As at 30 June 2007			
Cost			
As at 1 July 2006			
– As previously stated	—	—	—
– Reclassification from property and equipment upon adoption of FRS 117	7,694	99,447	107,141
	7,694	99,447	107,141
Additions	—	828	828
Disposals	(198)	(522)	(720)
Transfers	256	(256)	—
Exchange differences	(1,339)	(548)	(1,887)
Balance at 30 June 2007	6,413	98,949	105,362
Accumulated Depreciation and Impairment Losses			
Balance at 1 July 2006			
Accumulated depreciation			
– As previously stated	—	—	—
– Reclassification from property and equipment upon adoption of FRS 117	3,326	15,967	19,293
	3,326	15,967	19,293
Charge for the year	131	1,063	1,194
Disposals	(93)	(63)	(156)
Exchange differences	(965)	(1,199)	(2,164)
Balance at 30 June 2007	2,399	15,768	18,167
Analysed as:			
Accumulated depreciation	2,399	15,768	18,167
Net Carrying Amount			
At 30 June 2007	4,014	83,181	87,195

12. INVESTMENT PROPERTIES

	Group	
	2008 RM'000	**2007 RM'000**
At 1 July 2007/2006	**40,750**	31,759
Fair value adjustments (Note 32)	**—**	9,333
Additions	**338**	—
Disposal	**(37,169)**	(373)
Exchange difference	**(34)**	31
At 30 June 2008	**3,885**	40,750

The following investment properties are held under lease terms:

	Group	
	2008 RM'000	**2007 RM'000**
Leasehold land and buildings	**1,700**	1,700

13. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
With Bank Negara Malaysia	**4,729,493**	4,553,144	**3,949,492**	4,530,468
With other Central Banks	**1,142,921**	1,099,089	**990,209**	808,869
	5,872,414	5,652,233	**4,939,701**	5,339,337
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(501,000)
	5,872,414	5,652,233	**4,939,701**	4,838,337

The non-interest-bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities. The statutory deposits of the foreign branches and subsidiaries are denominated in foreign currencies and maintained with the Central Banks of respective countries, in compliance with the applicable legislations.

14. INVESTMENT IN SUBSIDIARIES

	Bank	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost		
– In Malaysia	**5,871,014**	2,262,240
– Outside Malaysia	**894,943**	844,491
	6,765,957	3,106,731
Less: Accumulated impairment losses	**(342,802)**	(342,802)
	6,423,155	2,763,929

(a) Establishment of an Islamic Banking Subsidiary – Maybank Islamic Berhad ("MIB")

On 5 September 2007, MIB was incorporated as a wholly-owned subsidiary of the Bank.

On 2 January 2008, the Bank subscribed for additional 99,999,998 ordinary shares of RM1.00 each at RM16.00 per ordinary share for a total cash consideration of RM1.6 billion, pursuant to the establishment and transfer of the Islamic Banking operations to MIB as disclosed in Notes 49(a) and 50(y).

(b) Redemption of Redeemable Convertible Preference Shares ("RCPS") of Mayban Fortis Holdings Berhad, a subsidiary

On 11 March 2008, Mayban Fortis Holdings Berhad redeemed 225 million RCPS of RM0.01 each at RM1.00 per RCPS. The Bank received RM157.5 million from the redemption.

(c) Disposal of Mayban Investment Management Sdn Bhd ("MIM") to Mayban Fortis Holdings Berhad, a subsidiary

The Bank and its subsidiary, Aseambankers Malaysia Berhad ("Aseambankers"), had on 27 March 2008 completed the disposal of MIM to Mayban Fortis Holdings Berhad, also a subsidiary of the Bank. The transaction comprised the sale of 5,000,000 ordinary shares in MIM, representing 100% of the issued and paid-up capital of MIM for a total cash consideration of RM23 million.

The Bank and Aseambankers held 61.525% and 38.475% shareholdings in MIM, respectively, prior to the disposal.

(d) Capital Injection in Maybank Philippines Incorporated ("MPI")

On 10 January 2008, the Bank injected additional capital of Peso 600 million (or equivalent amount of approximately RM48 million) via the issuance of 17,142,857 ordinary shares of Peso 35 per share to meet the minimum capital requirement of Bangko Sentral ng Pilipinas ("BSP"), the Central Bank of Philippines.

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(e) Capital Injection in Maybank International Trust (Labuan) Berhad ("MITB") and Acquisition of MCB Bank Limited ("MCB")

On 26 June 2008, the Bank subscribed to additional 300 ordinary shares of RM10.00 each at RM7.2 million per ordinary share of Maybank International Trust (Labuan) Berhad ("MITB"), a wholly-owned subsidiary of the Bank.

The Bank, via MITB, completed the acquisition of 15% equity interest in MCB on 25 June 2008 for a total consideration of RM2.17 billion. Details in relation to the acquisition of MCB are disclosed in Note 49(i).

(f) Details of the subsidiaries are disclosed in Note 53.

15. INTERESTS IN ASSOCIATES

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares, at cost	**67,950**	68,950	**62,055**	61,855
Quoted shares, at cost	**2,174,564**	—	**—**	—
Exchange differences	**1,797**	1,973	**—**	—
	2,244,311	70,923	**62,055**	61,855
Share of post-acquisition reserves	**(25,464)**	(27,322)	**—**	—
	2,218,847	43,601	**62,055**	61,855
Less: Accumulated impairment losses	**—**	—	**(50,000)**	(21,116)
	2,218,847	43,601	**12,055**	40,739
Market value of quoted shares	**1,470,259**	—		

(a) The summarised financial information of the associates are as follows:

	Group	
	2008 RM'000	2007 RM'000
Total assets	**21,817,103**	147,565
Total liabilities	**(18,878,558)**	(16,598)
Operating revenue	**1,786,500**	12,620
Profit/(loss) after tax	**905,389**	(19,232)

15. INTERESTS IN ASSOCIATES (CONT'D.)

(b) Details of the associates are as follows:

Name	Principal activities	Country of incorporation	2008 %	2007 %
Held by the Bank:				
UzbekLeasing International A.O.	Leasing	Uzbekistan	**35.0**	35.0
Philmay Holding, Inc.	Investment holding	Philippines	**33.0**	33.0
TX 123 Sdn. Bhd.	E-commerce business	Malaysia	**—**	50.0
Pelaburan Hartanah Nasional Berhad	Property Trust	Malaysia	**30.0**	30.0
Mayban Agro Fund Sdn. Bhd.	Fund specific purpose vehicle	Malaysia	**33.3**	33.3
Mayban Venture Capital Company Sdn. Bhd.	Venture capital	Malaysia	**33.3**	33.3
Held through subsidiaries:				
Baiduri Securities Sdn. Bhd.	Under members' voluntary liquidation	Brunei	**39.0**	39.0
Pak-Kuwait Takaful Company Limited	Investment holding	Pakistan	**17.3**	17.5
MCB Bank Limited	Banking	Pakistan	**15.0**	—

The financial year ends of the above associates are coterminous with those of the Group, except for UzbekLeasing International A.O., Pelaburan Hartanah Nasional Berhad and MCB Bank Limited, which all have a financial year end of 31 December to conform with their holding companies' financial year end and/or regulatory requirement. For the purpose of applying the equity method of accounting, the financial statements of UzbekLeasing International A.O., Pelaburan Hartanah Nasional Berhad and MCB Bank Limited for the year ended 31 December 2006 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 December 2007 and 30 June 2008.

(c) Acquisition of MCB Bank Limited ("MCB")
Details in relation to the acquisition of MCB, which is held via MITB, a wholly-owned subsidiary of the Bank, are disclosed in Note 14(e) and 49(i).

16. PROPERTY, PLANT AND EQUIPMENT

Group	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 30 June 2008							
Cost							
Balance at 1 July 2007	**1,137,259**	**662,625**	**998,777**	**146,510**	**18,103**	**18,667**	**2,981,941**
Additions	**19,359**	**22,867**	**95,901**	**1,217**	**2,988**	**63,119**	**205,451**
Disposals	**(9,680)**	**(452)**	**(104)**	**—**	**(937)**	**—**	**(11,173)**
Write-offs	**—**	**(84,254)**	**(10,387)**	**(4,942)**	**(2,416)**	**(2,726)**	**(104,725)**
Transfers	**—**	**20,563**	**(580)**	**2,034**	**(197)**	**(21,820)**	**—**
Transfer to Property Held For Sale	**(8,750)**	**—**	**—**	**—**	**—**	**—**	**(8,750)**
Transfer to Intangible Assets (Note 17)	**—**	**—**	**(6,512)**	**—**	**—**	**—**	**(6,512)**
Exchange differences	**18,130**	**2,601**	**1,311**	**539**	**(213)**	**30**	**22,398**
Balance at 30 June 2008	**1,156,318**	**623,950**	**1,078,406**	**145,358**	**17,328**	**57,270**	**3,078,630**
Accumulated Depreciation and Impairment Losses							
Balance at 1 July 2007							
Accumulated depreciation	**268,616**	**517,163**	**902,935**	**120,498**	**14,096**	**—**	**1,823,308**
Accumulated impairment losses	**6,942**	**4**	**—**	**—**	**—**	**—**	**6,946**
	275,558	**517,167**	**902,935**	**120,498**	**14,096**	**—**	**1,830,254**
Charge for the year (Note 33)	**21,351**	**57,275**	**46,568**	**7,220**	**1,867**	**—**	**134,281**
Impairment losses (Note 33)	**134**	**—**	**—**	**—**	**—**	**—**	**134**
Disposals	**(3,056)**	**(308)**	**(104)**	**—**	**(935)**	**—**	**(4,403)**
Write-offs	**—**	**(84,060)**	**(10,307)**	**(4,938)**	**(2,362)**	**—**	**(101,667)**
Transfers	**—**	**810**	**(564)**	**(86)**	**(160)**	**—**	**—**
Exchange differences	**5,596**	**1,806**	**1,689**	**268**	**(161)**	**—**	**9,198**
Balance at 30 June 2008	**299,583**	**492,690**	**940,217**	**122,962**	**12,345**	**—**	**1,867,797**

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 30 June 2008 (Cont'd.)							
Analysed as:							
Accumulated depreciation	**292,507**	**492,686**	**940,217**	**122,962**	**12,345**	**—**	**1,860,717**
Accumulated impairment losses	**7,076**	**4**	**—**	**—**	**—**	**—**	**7,080**
	299,583	**492,690**	**940,217**	**122,962**	**12,345**	**—**	**1,867,797**
Net Carrying Amount							
At 30 June 2008	**856,735**	**131,260**	**138,189**	**22,396**	**4,983**	**57,270**	**1,210,833**
As at 30 June 2007							
Cost							
As at 1 July 2006							
– As previously stated	1,293,693	762,773	999,310	147,224	19,309	33,838	3,256,147
– Effects of adoption of FRS 117	(153,748)	—	—	—	—	—	(153,748)
	1,139,945	762,773	999,310	147,224	19,309	33,838	3,102,399
Additions	58,884	33,411	92,993	1,472	2,820	36,778	226,358
Disposals	(53,342)	(8,260)	(3,463)	(597)	(2,371)	—	(68,033)
Disposals of a subsidiary	—	(3,746)	—	—	—	—	(3,746)
Write-offs	—	(167,455)	(22,787)	(11,751)	(1,666)	—	(203,659)
Transfers	(2,691)	40,096	410	10,396	—	(50,902)	(2,691)
Transfer to Intangible Assets (Note 17)	—	—	(67,578)	—	—	(1,050)	(68,628)
Acquired from KBB	—	8	110	—	—	—	118
Exchange differences	(5,537)	5,798	(218)	(234)	11	3	(177)
Balance at 30 June 2007	1,137,259	662,625	998,777	146,510	18,103	18,667	2,981,941

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 30 June 2007 (Cont'd.)							
Accumulated Depreciation and Impairment Losses							
Balance at 1 July 2006							
Accumulated depreciation							
– As previously stated	283,912	621,206	863,334	121,797	15,695	—	1,905,944
– Effects of adoption of FRS 117	(25,514)	—	—	—	—	—	(25,514)
	258,398	621,206	863,334	121,797	15,695	—	1,880,430
Accumulated impairment losses	5,282	4	—	—	—	—	5,286
	263,680	621,210	863,334	121,797	15,695	—	1,885,716
Charge for the year (Note 33)	23,708	60,311	51,853	7,741	1,612	—	145,225
Impairment losses (Note 33)	1,660	—	—	—	—	—	1,660
Disposals	(11,270)	(506)	(2,193)	(481)	(1,667)	—	(16,117)
Disposals of a subsidiary	—	(2,556)	—	—	—	—	(2,556)
Transfers	493	—	—	—	—	—	493
Write-offs	—	(160,322)	(12,308)	(10,557)	(1,650)	—	(184,837)
Exchange differences	(2,713)	(970)	2,249	1,998	106	—	670
Balance at 30 June 2007	275,558	517,167	902,935	120,498	14,096	—	1,830,254
Analysed as:							
Accumulated depreciation	268,616	517,163	902,935	120,498	14,096	—	1,823,308
Accumulated impairment losses	6,942	4	—	—	—	—	6,946
	275,558	517,167	902,935	120,498	14,096	—	1,830,254
Net Carrying Amount							
At 30 June 2007	861,701	145,458	95,842	26,012	4,007	18,667	1,151,687

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of:**					
Cost					
Balance at 1 July 2007	118,839	457,361	70,109	490,950	1,137,259
Additions	—	1,999	—	17,360	19,359
Disposals	(1,939)	(4,133)	(597)	(3,011)	(9,680)
Transfers	—	—	1,389	(1,389)	—
Transfer to Property Held For Sale	(6,600)	—	(2,150)	—	(8,750)
Exchange differences	850	(931)	1,496	16,715	18,130
Balance at 30 June 2008	111,150	454,296	70,247	520,625	1,156,318
Accumulated Depreciation and Impairment Losses					
Balance at 1 July 2007					
Accumulated depreciation	—	137,790	28,067	102,759	268,616
Accumulated impairment losses	—	4,213	322	2,407	6,942
	—	142,003	28,389	105,166	275,558
Charge for the year	—	8,065	2,346	10,940	21,351
Impairment losses	—	1,919	13	(1,798)	134
Disposals	—	(1,630)	—	(1,426)	(3,056)
Transfers	—	—	300	(300)	—
Exchange differences	—	759	1,567	3,270	5,596
Balance at 30 June 2008	—	151,116	32,615	115,852	299,583
Analysed as:					
Accumulated depreciation	—	144,984	32,280	115,243	292,507
Accumulated impairment losses	—	6,132	335	609	7,076
	—	151,116	32,615	115,852	299,583
Net Carrying Amount					
At 30 June 2008	111,150	303,180	37,632	404,773	856,735

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of:**							
Cost							
As at 1 July 2006							
– As previously stated	117,358	433,482	7,841	145,907	110,348	478,757	1,293,693
– Effects of adoption of FRS 117	—	—	(7,841)	(145,907)	—	—	(153,748)
	117,358	433,482	—	—	110,348	478,757	1,139,945
Additions	25,672	17,824	—	—	1,660	13,728	58,884
Disposals	(23,246)	(23,800)	—	—	(456)	(5,840)	(53,342)
Write-offs	—	—	—	—	—	—	—
Transfers	(600)	30,072	—	—	(45,277)	13,114	(2,691)
Exchange differences	(345)	(217)	—	—	3,834	(8,809)	(5,537)
Balance at 30 June 2007	118,839	457,361	—	—	70,109	490,950	1,137,259
Accumulated Depreciation and Impairment Losses							
Balance at 1 July 2006							
Accumulated depreciation							
– As previously stated	—	138,687	3,358	22,156	29,236	90,475	283,912
– Effects of adoption of FRS 117	—	—	(3,358)	(22,156)	—	—	(25,514)
	—	138,687	—	—	29,236	90,475	258,398
Accumulated impairment losses	—	4,213	—	—	322	747	5,282
	—	142,900	—	—	29,558	91,222	263,680
Charge for the year	—	11,138	—	—	2,284	10,286	23,708
Impairment losses	—	—	—	—	—	1,660	1,660
Disposals	—	(9,100)	—	—	(136)	(2,034)	(11,270)
Transfers	—	(428)	—	—	(3,089)	4,010	493
Exchange differences	—	(2,509)	—	—	(228)	24	(2,713)
Balance at 30 June 2007	—	142,001	—	—	28,389	105,168	275,558

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of: (Cont'd.)**							
Analysed as:							
Accumulated depreciation	—	137,788	—	—	28,067	102,761	268,616
Accumulated impairment losses	—	4,213	—	—	322	2,407	6,942
	—	142,001	—	—	28,389	105,168	275,558
Net Carrying Amount							
At 30 June 2007	118,839	315,360	—	—	41,720	385,782	861,701

Bank	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 30 June 2008							
Cost							
Balance at 1 July 2007	**978,983**	**552,002**	**867,120**	**125,708**	**11,272**	**15,849**	**2,550,934**
Additions	**17,383**	**19,244**	**93,049**	**945**	**1,446**	**58,330**	**190,397**
Disposals	**(8,604)**	**—**	**—**	**—**	**—**	**—**	**(8,604)**
Write-offs	**—**	**(83,509)**	**(9,645)**	**(4,941)**	**(2,416)**	**—**	**(100,511)**
Transfers	**—**	**19,756**	**—**	**2,064**	**—**	**(21,820)**	**—**
Transfer to Intangible Assets (Note 17)	**—**	**—**	**(6,471)**	**—**	**—**	**—**	**(6,471)**
Exchange differences	**18,948**	**2,994**	**1,894**	**537**	**(38)**	**31**	**24,366**
Balance at 30 June 2008	**1,006,710**	**510,487**	**945,947**	**124,313**	**10,264**	**52,390**	**2,650,111**

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (Cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 30 June 2008							
Accumulated Depreciation							
Balance at 1 July 2007	**243,985**	**421,687**	**780,573**	**108,380**	**9,115**	**—**	**1,563,740**
Charge for the year (Note 33)	**17,970**	**50,936**	**40,926**	**4,998**	**838**	**—**	**115,668**
Depreciation attributable to Islamic Banking operations	**554**	**1,569**	**1,260**	**154**	**26**	**—**	**3,563**
	18,524	**52,505**	**42,186**	**5,152**	**864**	**—**	**119,231**
Disposals	**(2,599)**	**—**	**—**	**—**	**—**	**—**	**(2,599)**
Write-offs	**—**	**(83,370)**	**(9,613)**	**(4,938)**	**(2,362)**	**—**	**(100,283)**
Exchange differences	**3,449**	**2,269**	**1,659**	**267**	**(5)**	**—**	**7,639**
Balance at 30 June 2008	**263,359**	**393,091**	**814,805**	**108,861**	**7,612**	**—**	**1,587,728**
Net Carrying Amount							
At 30 June 2008	**743,351**	**117,396**	**131,142**	**15,452**	**2,652**	**52,390**	**1,062,383**

Bank (Cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of:**					
Cost					
Balance at 1 July 2007	108,543	393,757	66,859	409,824	978,983
Additions	—	23	—	17,360	17,383
Disposals	(1,939)	(4,133)	—	(2,532)	(8,604)
Exchange differences	850	534	1,510	16,054	18,948
Balance at 30 June 2008	107,454	390,181	68,369	440,706	1,006,710

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (Cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of: (Cont'd.)**					
Accumulated Depreciation					
Balance at 1 July 2007	—	136,409	19,805	87,771	243,985
Charge for the year	—	7,571	1,332	9,067	17,970
Depreciation attributable to Islamic Banking operations	—	233	41	280	554
	—	7,804	1,373	9,347	18,524
Disposals	—	(1,630)	—	(969)	(2,599)
Exchange differences	—	196	1,010	2,243	3,449
Balance at 30 June 2008	—	142,779	22,188	98,392	263,359
Net Carrying Amount					
At 30 June 2008	107,454	247,402	46,181	342,314	743,351

Bank	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 30 June 2007							
Cost							
As at 1 July 2006							
– As previously stated	1,079,153	656,936	878,088	128,691	11,654	29,511	2,784,033
– Effects of adoption of FRS 117	(107,144)	—	—	—	—	—	(107,144)
	972,009	656,936	878,088	128,691	11,654	29,511	2,676,889
Additions	22,083	17,392	79,496	1,309	1,446	35,557	157,283
Disposals	(7,666)	—	(453)	—	(174)	—	(8,293)
Write-offs	—	(163,307)	(21,141)	(10,718)	(1,518)	—	(196,684)
Transfers	—	42,561	—	6,658	—	(49,219)	—
Transfer to Intangible Assets (Note 17)	—	—	(67,578)	—	—	—	(67,578)
Acquired from KBB	—	9	110	—	—	—	119
Exchange differences	(7,443)	(1,589)	(1,402)	(232)	(136)	—	(10,802)
Balance at 30 June 2007	978,983	552,002	867,120	125,708	11,272	15,849	2,550,934

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (Cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 30 June 2007							
Accumulated Depreciation							
As at 1 July 2006							
– As previously stated	246,305	528,383	756,564	112,371	9,782	—	1,653,405
– Effects of adoption of FRS 117	(19,293)	—	—	—	—	—	(19,293)
	227,012	528,383	756,564	112,371	9,782	—	1,634,112
Charge for the year (Note 33)	16,710	53,179	43,600	5,297	972	—	119,758
Depreciation attributable to Islamic Banking operations	1,182	3,763	3,086	375	69	—	8,475
	17,892	56,942	46,686	5,672	1,041	—	128,233
Disposals	(1,747)	—	(453)	—	(126)	—	(2,326)
Write-offs	—	(162,562)	(21,076)	(9,548)	(1,501)	—	(194,687)
Exchange differences	828	(1,076)	(1,148)	(115)	(81)	—	(1,592)
Balance at 30 June 2007	243,985	421,687	780,573	108,380	9,115	—	1,563,740
Net Carrying Amount (Restated)							
At 30 June 2007	734,998	130,315	86,547	17,328	2,157	15,849	987,194

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (Cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of:**							
Cost							
Balance at 1 July 2006							
– As previously stated	95,997	392,571	7,697	99,447	65,362	418,079	1,079,153
– Effects of adoption of FRS 117	—	—	(7,697)	(99,447)	—	—	(107,144)
	95,997	392,571	—	—	65,362	418,079	972,009
Additions	15,440	4,290	—	—	—	2,353	22,083
Disposals	(2,549)	(2,887)	—	—	(282)	(1,948)	(7,666)
Exchange differences	(345)	(217)	—	—	1,779	(8,660)	(7,443)
Balance at 30 June 2007	108,543	393,757	—	—	66,859	409,824	978,983
Accumulated Depreciation							
Balance at 1 July 2006							
– As previously stated	—	129,433	3,326	15,967	18,695	78,884	246,305
– Effects of adoption of FRS 117	—	—	(3,326)	(15,967)	—	—	(19,293)
	—	129,433	—	—	18,695	78,884	227,012
Charge for the year	—	7,331	—	—	1,277	8,102	16,710
Depreciation attributable to Islamic Banking operations	—	519	—	—	90	573	1,182
	—	7,850	—	—	1,367	8,675	17,892
Disposals	—	(798)	—	—	(141)	(808)	(1,747)
Exchange differences	—	(76)	—	—	(116)	1,020	828
Balance at 30 June 2007	—	136,409	—	—	19,805	87,771	243,985
Net Carrying Amount							
At 30 June 2007	108,543	257,348	—	—	47,054	322,053	734,998

17. INTANGIBLE ASSETS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Goodwill				
Cost:				
At 1 July 2007/2006	**81,015**	—	**81,015**	—
Arising from acquisition of AMEX Card Service business	**—**	81,015	**—**	81,015
At 30 June	**81,015**	81,015	**81,015**	81,015
Computer Software				
Cost:				
At 1 July 2007/2006	**317,957**	229,657	**248,427**	165,937
Additions	**38,383**	20,062	**33,676**	16,124
Disposals	**(10,756)**	—	**—**	—
Write-offs	**(667)**	—	**—**	—
Transfer from Property, Plant and Equipment (Note 16)	**6,512**	68,628	**6,471**	67,578
Exchange differences	**2,722**	(390)	**3,093**	(1,212)
At 30 June	**354,151**	317,957	**291,667**	248,427
Accumulated amortisation:				
At 1 July 2007/2006	**205,902**	170,765	**144,980**	117,064
Amortisation charged (Note 33)	**48,046**	35,638	**42,532**	29,182
Disposals	**(10,756)**	—	**—**	—
Write-offs	**(138)**	—	**—**	—
Exchange differences	**2,383**	(503)	**2,715**	(1,266)
	245,437	205,900	**190,227**	144,980
Net carrying amount				
Goodwill	**81,015**	81,015	**81,015**	81,015
Computer Software	**108,714**	112,057	**101,440**	103,447
	189,729	193,072	**182,455**	184,462

17. INTANGIBLE ASSETS (CONT'D.)

(a) Impairment tests for goodwill

Goodwill represents the acquisition of the sole rights of the American Express ("AMEX") card services business in Malaysia. For annual impairment purposes, the AMEX card services business is deemed as a Cash Generating Unit ("CGU"). The recoverable amount of the CGU is assessed based on value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. The value-in-use calculations apply a discounted cash flow model using cash flow projections prepared by management, covering a 11-year period. The key assumptions for the computation of value-in-use are as follows:

(i) The Bank expects the AMEX card services business to be a going concern;

(ii) The growth in business volume is expected to be equivalent to the current inflation rate of 6% per annum;

(iii) The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which is estimated to be at 8.4% per annum.

Management believes that possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount.

18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed deposits and negotiable instruments of deposits				
– One year or less	**102,661,282**	101,012,633	**84,064,822**	87,798,019
– More than one year	**3,073,899**	3,450,037	**1,571,969**	3,160,018
	105,735,181	104,462,670	**85,636,791**	90,958,037
Money market deposits	**10,964,912**	—	**10,964,912**	—
Savings deposits	**29,425,896**	27,842,616	**25,027,773**	27,398,458
Demand deposits	**38,634,568**	30,890,786	**32,721,668**	30,738,870
Structured deposits*	**2,351,520**	480,690	**1,971,420**	480,690
	187,112,077	163,676,762	**156,322,564**	149,576,055
Liabilities transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(15,720,442)
	187,112,077	163,676,762	**156,322,564**	133,855,613

* Structured deposits represent foreign currency time deposits with embedded foreign exchange option and commodity-linked time deposits.

18. DEPOSITS FROM CUSTOMERS (CONT'D.)

The maturity structure of fixed deposits and negotiable instruments of deposits is as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due within six months	**83,131,133**	80,374,363	**65,391,920**	67,321,853
Six months to one year	**19,530,149**	20,638,270	**18,672,902**	20,476,166
One year to three years	**2,069,441**	1,770,241	**1,525,761**	1,748,223
Three years to five years	**793,404**	1,201,802	**29,908**	1,107,009
After five years	**211,054**	477,994	**16,300**	304,786
	105,735,181	104,462,670	**85,636,791**	90,958,037

The deposits are sourced from the following types of customers:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Business enterprises	**68,428,468**	63,413,067	**52,832,804**	52,266,805
Individuals	**90,243,156**	82,080,948	**83,229,457**	81,441,707
Government and statutory bodies	**7,703,001**	8,030,787	**5,028,237**	7,780,128
Others	**20,737,452**	10,151,960	**15,232,066**	8,087,415
	187,112,077	163,676,762	**156,322,564**	149,576,055
Liabilities transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(15,720,442)
	187,112,077	163,676,762	**156,322,564**	133,855,613

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Licensed banks	**20,339,978**	23,815,084	**21,832,396**	26,963,414
Licensed finance companies	**733**	222,632	**733**	222,632
Licensed merchant banks	**451,206**	986,631	**451,206**	986,631
Other financial institutions	**3,762,189**	4,510,343	**3,562,962**	4,510,343
	24,554,106	29,534,690	**25,847,297**	32,683,020
Liabilities transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(1,512,284)
	24,554,106	29,534,690	**25,847,297**	31,170,736

20. OTHER LIABILITIES

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest/profit payable	**1,009,604**	1,166,598	**947,456**	1,122,645
Provision for outstanding claims	**421,234**	429,786	**—**	—
Unearned premium reserves	**273,755**	275,816	**—**	—
Profit equalisation reserves (IBS operations) (Note 50(k))	**65,623**	64,205	**—**	61,768
Provisions and accruals	**1,252,134**	976,262	**926,011**	863,474
Due to brokers and clients	**234,407**	389,751	**—**	—
Deposits and other creditors	**1,991,806**	1,787,149	**2,045,607**	1,849,086
	5,248,563	5,089,567	**3,919,074**	3,896,973
Liabilities transferred to subsidiary, pursuant to transfer of Islamic Banking operations	**—**	—	**—**	(916,632)
	5,248,563	5,089,567	**3,919,074**	2,980,341

Movements in provision for outstanding claims are as follows:

	Group	
	2008 RM'000	2007 RM'000
Balance at beginning of year	**429,786**	412,667
Net (utilisation)/provision during the year	**(8,858)**	16,473
Exchange differences	**306**	646
Balance at end of year	**421,234**	429,786

Included in deposits and other creditors of the Bank is an amount of RM881,906,000 (2007: RM881,907,000) due to Myfin Berhad, a subsidiary of the Bank, arising from the transfer of finance business from Myfin Berhad to the Bank on 1 October 2004. The amount is unsecured, interest-free and has no fixed terms of repayment.

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

	Group and Bank	
	2008 RM'000	**2007 RM'000**
At 1 July 2007/2006	**2,455,762**	3,727,458
Repayment forwarded	**(1,181,693)**	(1,271,696)
At 30 June 2008/2007	**1,274,069**	2,455,762

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Bank (the loan portfolio and the related recourse obligation on loans sold to Cagamas of its finance subsidiary were transferred to the Bank on 1 October 2004). Under the agreement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

22. PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Taxation	**427,818**	1,015,778	**390,327**	977,178
Zakat	**7,665**	4,012	**—**	3,563
	435,483	1,019,790	**390,327**	980,741

23. DEFERRED TAX

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
At 1 July 2007/2006	**(919,920)**	(1,122,428)	**(951,526)**	(1,091,937)
Disposal of subsidiary	**—**	(18)	**—**	—
Recognised in the income statement (net) (Note 37)	**63,881**	71,704	**102,937**	45,794
Recognised in equity (net)	**(281,447)**	148,666	**(244,991)**	112,728
Transfer from provision for taxation	**(28,558)**	(17,814)	**(28,558)**	(18,111)
Exchange differences	**416**	(30)	**—**	—
At 30 June 2008/2007	**(1,165,628)**	(919,920)	**(1,122,138)**	(951,526)

23. DEFERRED TAX (CONT'D.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(1,217,490)**	(1,016,730)	**(1,122,138)**	(951,526)
Deferred tax liabilities	**51,862**	96,810	**—**	—
	(1,165,628)	(919,920)	**(1,122,138)**	(951,526)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

	Loan Loss and Allowances RM'000	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium RM'000	Provision for Liabilities RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2007	**(881,486)**	**104,424**	**(135,055)**	**(104,613)**	**(1,016,730)**
Recognised in the income statement	**89,058**	**(303)**	**(17,321)**	**(16,673)**	**54,761**
Recognised in equity	**—**	**(244,991)**	**—**	**(10,936)**	**(255,927)**
Transferred from provision for taxation	**—**	**—**	**—**	**406**	**406**
At 30 June 2008	**(792,428)**	**(140,870)**	**(152,376)**	**(131,816)**	**(1,217,490)**
At 1 July 2006	(921,794)	(8,293)	(109,958)	(124,230)	(1,164,275)
Disposal of subsidiary	—	—	329	—	329
Recognised in the income statement	40,308	(11)	(25,426)	37,431	52,302
Recognised in equity	—	112,728	—	—	112,728
Transferred from provision for taxation	—	—	—	(17,814)	(17,814)
At 30 June 2007	(881,486)	104,424	(135,055)	(104,613)	(1,016,730)

23. DEFERRED TAX (CONT'D.)

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowance RM'000	Unrealised Holding Reserves and Accretion of Discounts RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2007	32,275	34,840	29,695	96,810
Disposal of subsidiary	—	—	—	—
Recognised in the income statement	2,976	(21,711)	27,855	9,120
Recognised in equity	—	(30,271)	4,751	(25,520)
Transferred from provision for taxation	—	—	(28,558)	(28,558)
Exchange differences	4	16	(10)	10
At 30 June 2008	35,255	(17,126)	33,733	51,862
At 1 July 2006	27,899	(12,380)	26,328	41,847
Disposal of subsidiary	(347)	—	—	(347)
Recognised in the income statement	4,727	11,304	3,371	19,402
Recognised in equity	—	35,938	—	35,938
Exchange differences	(4)	(22)	(4)	(30)
At 30 June 2007	32,275	34,840	29,695	96,810

Deferred Tax Assets of the Bank:

	Loan Loss and Allowances RM'000	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium RM'000	Provision for Liabilities RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2007	(866,440)	76,594	(128,610)	(87,184)	(1,005,640)
Recognised in income statement	99,358	738	(16,298)	12,767	96,565
Recognised in equity	—	(244,991)	—	—	(244,991)
At 30 June 2008	(767,082)	(167,659)	(144,908)	(74,417)	(1,154,066)

23. DEFERRED TAX (CONT'D.)

Deferred Tax Assets of the Bank: (Cont'd.)

	Loan Loss and Allowances RM'000	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium RM'000	Provision for Liabilities RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2006	(903,011)	(36,936)	(106,016)	(94,584)	(1,140,547)
Recognised in income statement	36,571	802	(22,594)	25,511	40,290
Recognised in equity	—	112,728	—	—	112,728
Transfer from provision for taxation	—	—	—	(18,111)	(18,111)
At 30 June 2007	(866,440)	76,594	(128,610)	(87,184)	(1,005,640)

Deferred Tax Liabilities of the Bank:

	Accelerated Capital Allowance RM'000	Other Temporary Allowance RM'000	Total RM'000
At 1 July 2007	25,556	28,558	54,114
Recognised in the income statement	6,372	—	6,372
Transfer from provision for taxation	—	(28,558)	(28,558)
At 30 June 2008	31,928	—	31,928
At 1 July 2006	20,052	28,558	48,610
Recognised in the income statement	5,504	—	5,504
At 30 June 2007	25,556	28,558	54,114

23. DEFERRED TAX (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2008 RM'000	**2007 RM'000**
Unutilised tax losses	**29,723**	49,010
Unabsorbed capital allowances	**992**	20,440
Loan loss and provisions and interest suspended	**73,178**	30,378
Others	**63,021**	2,109
	166,914	101,937

The unutilised tax losses and unabsorbed capital allowances of the Group amounting to RM14,341,000 (2007: RM33,628,000) and RM992,000 (2007: RM20,440,000), respectively are available indefinitely for offsetting against future taxable profits of the respective local entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Included in the above is unutilised tax losses amounting to RM6,693,000 (2007: RM6,693,000) and RM8,689,000 (2007: RM8,689,000) arising from Maybank Philipines Inc., a subsidiary of the Bank, which are available for offsetting against future taxable profits of the subsidiary and shall expire in 2009 and 2010, respectively.

24. SUBORDINATED OBLIGATIONS

		Group		Bank	
	Note	**2008 RM'000**	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
USD380 million subordinated notes due in 2012	(i)	**—**	1,312,710	**—**	1,312,710
RM1,000 million subordinated Islamic bonds due in 2015	(ii)	**1,000,000**	1,000,000	**1,000,000**	1,000,000
RM1,500 million subordinated Islamic bonds due in 2018	(iii)	**1,500,000**	1,500,000	**1,500,000**	1,500,000
RM1,500 million subordinated bonds due in 2017	(iv)	**1,500,000**	1,500,000	**1,500,000**	1,500,000
USD300 million subordinated certificates due in 2017	(v)	**975,723**	1,031,338	**975,723**	1,031,338
		4,975,723	6,344,048	**4,975,723**	6,344,048

24. SUBORDINATED OBLIGATIONS (CONT'D.)

(i) On 6 June 2002, the Bank issued USD380 million nominal value Subordinated Notes payable semi-annually in arrears in January and July each year, subject to the revision of interest explained below and are due in July 2012. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, any time on or after the 5th year from issue date at 100% of the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the first permissible call date, then the coupon rate will be revised to an equivalent to 3.23% above the US Treasury Rate per annum from the beginning of the 6th year to the final maturity date.

On 6 July 2007, the Bank has exercised its call option and redeemed the Notes in whole.

(ii) On 24 November 2005, the Bank issued RM1.0 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, payable semi-annually in arrears in May and November each year, and are due in November 2015. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate ranging from 10 to 40 basis points from the beginning of the 6th year to the final maturity date.

(iii) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 12 non-callable 7 basis feature, payable semi-annually in arrears in May and November each year, and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the 7th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate ranging from 0 to 70 basis points from the beginning of the 8th year to the final maturity date.

(iv) On 11 April 2007, the Bank issued RM1.5 billion nominal value Subordinated Bonds payable semi-annually in arrears in April and October each year, subject to the revision of interest explained below and are due in 2017. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, any time on or after the 5th anniversary of the issue date and on every semi-annual date thereafter at par together with accrued interest due on the redemption date. Should the Bank decide not to exercise its call option, the holders of the Bonds is entitled to a step-up in the coupon rate of 100 basis points from the beginning of the 6th year to the final maturity date.

24. SUBORDINATED OBLIGATIONS (CONT'D.)

(v) On 25 April 2007, MBB Sukuk, the Issuer, (a Special Purpose Vehicle ("SPV") formed solely for the purpose of participating in this transaction and issuing the subordinated certificates) issued USD300 million Subordinated Certificates with a distribution rate based on 6 months LIBOR plus a margin of 0.33% per annum payable semi-annually in arrears in April and October each year. The proceeds from the Subordinated Certificates are paid to Premier Sukuk, another SPV incorporated for this transaction, and ultimately paid to the Bank. In return, the Bank transfers the beneficial ownership of a portfolio of assets (comprising hire purchase contracts and cash) by way of an equitable assignment to Premier Sukuk and subsequently to the Issuer. The portfolio assets are managed by the Bank pursuant to a Management Agreement.

The Subordinated Certificates are due in 2017. The Issuer may, subject to the prior consent of Bank Negara Malaysia, redeem the Certificates, in whole but not in part, on the 5th anniversary of the issue date or at any semi-annual distribution payment date thereafter.

Should the Issuer decide not to exercise its call option, the Certificate holders are entitled to a step-up margin of 1.33% per annum from the beginning of the 6th year to the final maturity date.

The Certificate holders will have recourse on a subordinated basis to the Bank pursuant to the Sale and Purchase Undertaking Deeds.

The coupon rates for all the Notes and Bonds range between 4.00% and 6.125% per annum.

All the Notes and Bonds above constitute unsecured liabilities of the Bank and are subordinated to the senior indebtedness of the Bank in accordance with the respective terms and conditions of their issues and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

25. STAPLED CAPITAL SECURITIES

	Group and Bank	
	2008 RM'000	2007 RM'000
RM3,500 million 6.85% Capital Securities ("NCPCS")	**3,500,000**	—
Less: Transaction cost	**(2,686)**	—
Add: Accumulated amortisation of transaction cost	**2**	—
	3,497,316	—

25. STAPLED CAPITAL SECURITIES (CONT'D.)

(i) On 27 June 2008, the Group issued RM3,500 million in nominal value comprising:

(a) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and

(b) Subordinated Notes ("Sub-Notes"), which are issued by Cekap Mentari Berhad ("CMB"), a wholly-owned subsidiary of the Bank,

(collectively known as "Stapled Capital Securities").

Until an assignment event occurs, the Stapled Capital Securities cannot be transferred, dealt with or traded separately. Upon occurrence of an assignment event, the Stapled Capital Securities will unstaple, leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be re-assigned to the Bank pursuant to a forward purchase contract entered into by the Bank. Unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities (as disclosed in Note 25(ii)), the assignment event would occur on the 20th interest payment date or 10 years from the issuance date of the Sub-Notes.

Each of the NCPCS and Sub-Notes has a fixed interest rate of 6.85% per annum. However, the NCPCS distribution will not begin to accrue until the Sub-Notes are re-assigned to the Bank as referred to above. Thus effectively, the Stapled Capital Securities are issued by the Bank at a fixed rate of 6.85% per annum. Interest is payable semi-annually in arrears.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of Maybank on the 20th interest payment date or 10 years from the issuance date of the Sub-Notes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The Sub-Notes have a tenure of 30 years unless redeemed earlier under the terms of the Sub-Notes. The Sub-Notes are redeemable at the option of CMB on any interest payment date, which cannot be earlier than the occurrence of an assignment event, subject to redemption conditions being satisfied, as disclosed in Note 25(ii).

The Stapled Capital Securities comply with Bank Negara Malaysia's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of the Group. Claims in respect of the NCPCS rank pari passu and without preference among themselves, other Tier 1 capital securities of the Bank and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of CMB.

25. STAPLED CAPITAL SECURITIES (CONT'D.)

(ii) An "assignment event" means the occurrence of any of the following events:

(a) The Bank is in breach of Bank Negara Malaysia's minimum capital adequacy ratio requirements applicable to the NCPCS Issuer; or

(b) Commencement of a winding up proceeding in respect of the Bank or CMB; or

(c) Appointment of an administrator in connection with a restructuring of the Bank; or

(d) Occurrence of a default of the NCPCS distribution payments or Sub-Note interest payments; or

(e) CMB ceases to be, directly or indirectly, a wholly-owned subsidiary of the Bank; or

(f) Bank Negara Malaysia requires that an assignment event occur; or

(g) The Bank elects that an assignment event occurs; or

(h) The 20th Interest Payment Date of the Sub-Notes; or

(i) 60 days after a regulatory event (means at any time there is more than an insubstantial risk, as determined by the Bank, that the NCPCS will no longer qualify as non-innovative Tier 1 capital of the Bank for the purposes of Bank Negara Malaysia's capital adequacy requirements under any applicable regulations) has occurred, subject to such regulatory event continuing to exist at the end of such 60 days; or

(j) Any deferral of interest payment of the Sub-Notes; or

(k) 30 years from the issue date of the Sub-Notes.

In addition to the modes of redemption stated in Note 25(i) above, the NCPCS and the Sub-Notes can be redeemed in the following circumstances:

(a) If the NPCPS and the Sub-Notes were issued for the purpose of funding a merger or acquisition which is subsequently aborted, at the option of the Bank and CMB subject to Bank Negara Malaysia's prior approval;

(b) At any time if there is more than an insubstantial risk in relation to changes in applicable tax regulations, as determined by the Bank or CMB, that could result in the Bank or CMB paying additional amounts or will no longer be able to deduct interest in respect of the Sub-Notes or the inter-company loan (between the Bank and CMB) for taxation purposes;

(c) At any time if there is more than an insubstantial risk in relation to changes in applicable regulatory capital requirements, as determined by the Bank or CMB, that could disqualify the NCPCS to be regarded as part of Non-Innovative Tier 1 capital for the purpose of regulatory capital requirements.

26. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
Authorised:				
At 1 July 2007/2006	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Created during the year	**—**	—	**—**	—
At 30 June 2008/2007	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
At 1 July 2007/2006	**3,889,225**	3,796,947	**3,889,225**	3,796,947
Shares issued under the:				
– Share Bonus Issue Exercise	**976,057**	—	**976,057**	—
– Maybank Group Employee Share Option Scheme	**15,841**	92,278	**15,841**	92,278
At 30 June 2008/2007	**4,881,123**	3,889,225	**4,881,123**	3,889,225

During the year, the Bank increased its issued and paid-up capital from RM3,889,224,521 to RM4,881,123,401 via:

(a) issuance of 976,057,505 new ordinary shares of RM1 each from bonus issue exercise on 20 February 2008;

(b) issuance of 15,841,375 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the current Maybank Group Employee Share Option Scheme ("ESOS") which commenced on 26 August 2004, for a period of 5 years.

The terms of the current ESOS includes provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are as follows:

(a) The employees eligible to participate in the ESOS must be employed and on the payroll of the Bank and its subsidiaries for a continuous period of at least twenty four (24) months including service during the probation period and is confirmed in service;

(b) The non-executive directors eligible to participate in the ESOS must have been a Non-Executive Director of the Group for a continuous period of at least twenty four (24) months;

(c) The entitlement under the ESOS for the Executive Directors and Non-Executive Directors, including any persons connected to the directors is subject to the approval of the shareholders of the Bank in a general meeting;

26. SHARE CAPITAL (CONT'D.)

(d) The ESOS shall be in force for a period of five (5) years from its commencement and no further options under the scheme will be granted thereafter unless the shareholders of the Bank in a general meeting agree to continue with the ESOS for a further period of five (5) years with or without variations, and subject to the approvals of relevant authorities, provided that the duration of the ESOS including any extension, if any, shall not exceed a total period of ten (10) years from its commencement;

(e) The new ordinary shares in the Bank allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise; and

(f) The subscription price shall be at a discount, within the limit allowed by the relevant authorities from time to time and shall be decided by the ESOS Committee at its discretion, to the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.

(g) Pursuant to the bonus issue exercise of 1 new ordinary share for every 4 ordinary shares held as disclosed in Note 49(c), the ESOS Committee has approved the corresponding adjustments be made to the unexercised options under the ESOS, which is in accordance with the Maybank Group ESOS By-Laws. The additional shares were allocated at no cost to the option holder.

Additional shares, calculated in the same ratio as the bonus issue (1 share for every 4 shares) would be allocated and kept in reserve until such time the option holders exercised the options, subject to the expiry of the option period on 26 August 2009.

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the year:

2008	Number of Share Options						
		<---------- Movement During the Year ---------->					
Grant Date	Outstanding at 1 July 2007/2006 '000	Granted '000	Exercised '000	Forfeited '000	Expired '000	Outstanding at 30 June 2008/2007 '000	Exercisable at 30 June 2008/2007 '000
1.9.2004	**14,318**	**—**	**(5,342)**	**(4,858)**	**—**	**4,118**	**4,118**
15.10.2004	**5,043**	**—**	**(1,397)**	**(488)**	**—**	**3,158**	**3,158**
30.6.2005	**150**	**—**	**—**	**—**	**—**	**150**	**150**
14.11.2005	**10,912**	**—**	**(2,982)**	**(1,025)**	**—**	**6,905**	**6,905**
14.11.2006	**19,436**	**139***	**(5,954)**	**(925)**	**—**	**12,696**	**12,696**
	49,859	**139**	**(15,675)**	**(7,296)**	**—**	**27,027**	**27,027**
WAEP	**9.82**	**10.19**	**9.78**	**9.49**	**—**	**9.94**	**9.94**

* Reinstatement of the share allotments to 8 employees under the 4th ESOS Offer.

26. SHARE CAPITAL (CONT'D.)

2007	Number of Share Options						
		<---------- Movement During the Year ---------->					
Grant Date	Outstanding at 1 July 2007/2006 '000	Granted '000	Exercised '000	Forfeited '000	Expired '000	Outstanding at 30 June 2008/2007 '000	Exercisable at 30 June 2008/2007 '000
1.9.2004	59,740	—	(45,119)	(303)	—	14,318	14,318
15.10.2004	13,092	—	(7,980)	(69)	—	5,043	5,043
30.6.2005	160	—	(10)	—	—	150	150
14.11.2005	27,635	23	(16,300)	(446)	—	10,912	9,629
14.11.2006	—	42,870	(22,868)	(566)	—	19,436	14,476
	100,627	42,893	(92,277)	(1,384)	—	49,859	43,616
WAEP	9.50	10.19	9.65	9.88	—	9.82	9.78

(i) Details of share options outstanding at the end of the year:

Grant Date	Exercise Price RM	Exercise Period
2008		
1.9.2004	**9.23**	**1.9.2004 – 25.8.2009**
15.10.2004	**9.87**	**15.10.2004 – 25.8.2009**
30.6.2005	**10.58**	**6.1.2005 – 25.8.2009**
14.11.2005	**9.92**	**14.11.2005 – 25.8.2009**
14.11.2006	**10.19**	**14.11.2006 – 25.8.2009**
2007		
1.9.2004	9.23	1.9.2004 – 25.8.2009
15.10.2004	9.87	15.10.2004 – 25.8.2009
30.6.2005	10.58	6.1.2005 – 25.8.2009
14.11.2005	9.92	14.11.2005 – 25.8.2009
14.11.2006	10.19	14.11.2006 – 25.8.2009

(ii) Share options exercised during the year

As disclosed above, options exercised during the year resulted in the issuance of approximately 15,841,000 (2007: 92,277,200) ordinary shares at an average price of RM9.78 (2007: RM9.65) each. The related weighted average share price at the date of exercise was RM9.10 (2007: RM9.56).

26. SHARE CAPITAL (CONT'D.)

(iii) Fair value of share options granted on 14.11.2006

The fair value of share options granted on 14.11.2006 was estimated by an external valuer using a trinomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured and the assumptions were as follows:

Fair value of share options at 14.11.2006 at (RM)	1.38
Weighted average share price (RM)	11.50
Weighted average exercise price (RM)	10.19
Expected volatility (%)	14.26%
Expected life (years)	1 – 2.8
Risk free rate (%)	3.63%
Expected dividend yield (%)	5.50%

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility were indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

27. RESERVES

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Non-distributable:				
Share premium	**2,097,011**	2,935,570	**2,097,011**	2,935,570
Statutory reserves	**4,573,636**	3,921,988	**4,483,770**	3,889,770
Capital reserve	**15,250**	15,250	**—**	—
Unrealised holding reserves	**(416,340)**	405,588	**(400,753)**	283,264
Exchange fluctuation reserve	**(41,752)**	(83,994)	**94,730**	8,660
Share option reserve	**63,069**	61,228	**63,069**	61,228
	6,290,874	7,255,630	**6,337,827**	7,178,492
Distributable:				
Retained profits (Note 28)	**8,130,496**	8,052,801	**5,981,365**	6,386,121
Total reserves	**14,421,370**	15,308,431	**12,319,192**	13,564,613

The statutory reserves are maintained in compliance with the requirements of Bank Negara Malaysia and certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous years.

28. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance as at 30 June 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2008, the Bank has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

29. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the businesses of banking, finance, general and life insurance (including takaful), stockbroking, discount house, leasing and factoring, trustee and nominee services, asset management and venture capital but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest income, fee and commission income, investment income, gross dividends, income from Islamic Banking Scheme operations and other income derived from banking and finance operations.

30. INTEREST INCOME

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loans, advances and financing				
– Interest income other than recoveries from NPL	**7,197,257**	6,809,672	**6,920,273**	6,542,729
– Recoveries from NPL	**316,669**	366,340	**309,929**	347,299
Money at call and deposits and placements with financial institutions	**1,884,577**	2,014,994	**1,881,285**	1,854,075
Securities purchased under resale agreements	**6,466**	18,283	**3,355**	15,103
Securities held-for-trading	**708,023**	415,048	**682,325**	392,215
Securities available-for-sale	**1,289,469**	1,116,992	**1,094,644**	944,917
Securities held-to-maturity	**85,053**	225,075	**72,161**	154,212
	11,487,514	10,966,404	**10,963,972**	10,250,550
Amortisation of premiums less accretion of discounts	**28,784**	(53,029)	**(1,697)**	(59,152)
Net interest/income clawed back/suspended	**(48,300)**	(57,280)	**(48,300)**	(57,280)
	11,467,998	10,856,095	**10,913,975**	10,134,118

31. INTEREST EXPENSE

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits and placements of banks and other financial institutions	**1,145,896**	1,271,933	**1,280,660**	1,264,026
Deposits from other customers	**4,603,598**	4,186,470	**4,152,745**	3,757,708
Loans sold to Cagamas	**72,663**	129,434	**72,663**	129,434
Floating rate certificates of deposits	**19,319**	25,395	**19,319**	25,395
Subordinated notes	**63,442**	96,382	**63,442**	96,382
Subordinated bonds	**134,269**	12,986	**134,269**	12,986
Stapled Capital Securities	**1,972**	—	**1,972**	—
Others	**50**	572	**50**	5,448
	6,041,209	5,723,172	**5,725,120**	5,291,379

32. NON-INTEREST INCOME

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fee income:				
Commission	**769,047**	669,538	**762,618**	662,300
Service charges and fees	**721,267**	592,203	**627,271**	551,206
Guarantee fees	**110,954**	93,570	**110,742**	92,910
Underwriting fees	**19,233**	12,700	**5,051**	4,638
Brokerage income	**84,547**	83,052	**—**	—
Other fee income	**70,347**	36,853	**53,561**	24,043
	1,775,395	1,487,916	**1,559,243**	1,335,097
Investment income:				
Net loss from sale of held-for-trading securities	**(37,087)**	(4,003)	**(26,502)**	(25,054)
Net gain from sale of available-for-sale securities	**190,535**	272,632	**125,343**	203,180
Net loss from redemption of held-to-maturity securities	**(57)**	(269)	**(273)**	(238)
Loss from disposal of associates	**(300)**	—	**(1,800)**	—
Gain from disposal of subsidiaries	**—**	456	**5,487**	82,376
	153,091	268,816	**102,255**	260,264

32. NON-INTEREST INCOME (CONT'D.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross dividends from:				
Securities available-for-sale				
– Quoted outside Malaysia	**2,331**	1,084	**—**	—
– Quoted in Malaysia	**24,720**	25,779	**8,269**	11,028
– Unquoted outside Malaysia	**3,846**	2,247	**461**	346
– Unquoted in Malaysia	**9,598**	6,674	**9,425**	6,674
Securities held-to-maturity				
– Unquoted in Malaysia	**—**	295	**—**	—
Subsidiaries in Malaysia	**—**	—	**10,065**	392,774
	40,495	36,079	**28,220**	410,822
Unrealised loss on revaluation of securities held-for-trading and derivatives	**(200,434)**	(74,408)	**(167,983)**	(63,571)
Write back of impairment losses in securities, net	**67,081**	28,769	**106,609**	7,848
Impairment of interest in an associate	**—**	—	**(28,884)**	(21,116)
	(133,353)	(45,639)	**(90,258)**	(76,839)
Other income:				
Foreign exchange gain	**623,155**	362,785	**604,377**	343,469
Net premiums written	**479,603**	470,485	**—**	—
Rental income from				
– Investment properties	**—**	2,702	**—**	—
– Other properties	**17,678**	15,254	**16,708**	14,876
Gain on disposal of property, plant and equipment	**14,608**	1,397	**10,020**	175
Gain on disposal of foreclosed properties	**1,464**	3,688	**—**	1,645
Gain on disposal of investment properties	**—**	384	**—**	—
Fair value adjustment on investment properties (Note 12)	**—**	9,333	**—**	—
Negative goodwill recognised	**—**	36,481	**—**	36,481
Other operating income	**225,299**	170,904	**9,854**	5,628
Other non-operating income	**41,422**	42,513	**45,918**	44,027
	1,403,229	1,115,926	**686,877**	446,301
	3,238,857	2,863,098	**2,286,337**	2,375,645

33. OVERHEAD EXPENSES

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Personnel expenses				
– Salaries, allowances and bonuses	**1,493,486**	1,317,832	**1,253,467**	1,068,010
– Social security cost	**11,741**	10,506	**9,983**	4,355
– Pension costs – Defined contribution plan	**218,178**	192,070	**184,547**	156,059
– Share options granted under ESOS	**1,841**	58,190	**1,357**	50,527
– Other staff related expenses	**221,159**	180,581	**3,049**	139,506
Sub-total	**1,946,405**	1,759,179	**1,452,403**	1,418,457
Establishment costs				
– Depreciation of property, plant and equipment (Note 16)	**134,281**	145,225	**115,668**	119,758
– Amortisation of intangible assets (Note 17)	**48,046**	35,638	**42,532**	29,182
– Amortisation of Prepaid Land Lease Payment (Note 11(a))	**1,648**	1,660	**1,211**	1,194
– Intangible assets written off	**529**	—	**—**	—
– Rental of leasehold land and premises	**68,186**	65,588	**66,570**	58,518
– Repairs and maintenance of property, plant and equipment	**76,573**	68,938	**66,686**	60,428
– Information technology expenses	**397,940**	305,211	**317,524**	187,645
– Others	**23,616**	40,586	**12,612**	32,467
Sub-total	**750,819**	662,846	**622,803**	489,192
Marketing costs				
– Advertisement and publicity	**331,606**	242,610	**245,535**	176,869
– Others	**87,656**	74,161	**76,755**	49,499
Sub-total	**419,262**	316,771	**322,290**	226,368
Administration and general expenses				
– Fees and brokerage	**429,232**	361,575	**413,347**	335,743
– Administrative expenses	**234,277**	223,587	**191,792**	193,451
– General expenses	**188,786**	183,800	**176,459**	166,484
– Claims incurred	**250,661**	249,559	**—**	—
– Others	**35,667**	31,434	**34,876**	6,928
Sub-total	**1,138,623**	1,049,955	**816,474**	702,606
Total	**4,255,109**	3,788,751	**3,213,970**	2,836,623

33. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Included in overhead expenses are:				
Directors' fees and remuneration (Note 34)	**16,521**	14,052	**10,021**	6,840
Rental of equipment	**6,498**	8,823	**3,411**	4,420
Direct operating expenses of investment properties:				
– Revenue generating	**35**	237	**—**	—
Auditors' remuneration:				
Statutory audit:				
– Malaysia	**3,344**	2,030	**1,870**	1,410
– Overseas *	**2,785**	2,380	**2,411**	1,834
Other services	**1,367**	1,335	**955**	1,145
Property, plant and equipment written off (Note 16)	**3,058**	18,822	**228**	1,997
Impairment of property, plant and equipment (Note 16)	**134**	1,660	**—**	—
Impairment of prepaid land lease payment (Note 11(a))	**184**	—	**—**	—

* Included in statutory audit fees overseas is fee paid to accounting firms other than the Bank's auditors amounting to RM992,000 (2007: RM727,000).

34. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors of the Bank:				
Executive directors:				
Salary and other remuneration, including meeting allowances	**2,401**	2,096	**2,115**	1,870
Bonuses	**2,080**	1,501	**2,080**	1,501
Retirement gratuity	**2,997**	—	**2,997**	—
Pension cost – Defined contribution plan	**730**	623	**730**	623
Share options granted under ESOS	**86**	281	**86**	281
Estimated money value of benefits-in-kind	**136**	174	**136**	174
	8,430	4,675	**8,144**	4,449

34. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors of the Bank: (Cont'd.)				
Non-executive directors:				
Fees	**1,755**	1,996	**1,118**	1,234
Pension cost – Defined contribution plan	**59**	59	**59**	59
Share options granted under ESOS	**194**	638	**194**	638
Other remuneration	**819**	901	**642**	634
Estimated money value of benefits-in-kind	**36**	47	**36**	47
	2,863	3,641	**2,049**	2,612
Directors of the Subsidiaries:				
Executive directors:				
Salary and other remuneration, including meeting allowance	**2,758**	2,665	**—**	—
Bonuses	**1,405**	1,069	**—**	—
Pension cost – Defined contribution plan	**375**	449	**—**	—
Share options granted under ESOS	**4**	62	**—**	—
Estimated money value of benefits-in-kind	**15**	220	**—**	—
	4,557	4,465	**—**	—
Non-executive directors:				
Fees	**620**	811	**—**	—
Share options granted under ESOS	**164**	665	**—**	—
Other remuneration	**74**	236	**—**	—
	858	1,712	**—**	—
Total	**16,708**	14,493	**10,193**	7,061
Total (excluding benefits-in-kind)	**16,521**	14,052	**10,021**	6,840

34. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The remuneration attributable to the President/Chief Executive Officer (former and present) of the Bank including benefits-in-kind during the year amounted to RM5,122,218 (2007: RM2,709,321). This includes a gratuity of RM2,290,056 which was paid to the former President/Chief Executive Officer of the Bank.

The total directors' fees and remuneration of the Group above have excluded the amount of RM504,253 (2007: RM583,559) which has been allocated to the life, general takaful and family takaful funds.

	Group	
	2008	**2007**
Number of directors of the Bank whose remuneration falls into the following bands:		
Number of executive directors:		
RM4,850,001 to RM4,900,000	**1**	—
RM2,700,001 to RM2,750,000	**—**	1
RM2,550,001 to RM2,600,000	**1**	—
RM1,650,001 to RM1,700,000	**—**	1
RM500,001 to RM550,000	**1**	—
RM200,001 to RM250,000	**1**	—
	4	2
Number of non-executive directors:		
RM650,001 to RM700,000	**1**	1
RM350,001 to RM400,000	**—**	1
RM300,001 to RM350,000	**3**	3
RM250,001 to RM300,000	**1**	2
RM200,001 to RM250,000	**1**	2
RM150,001 to RM200,000	**1**	—
RM100,001 to RM150,000	**2**	—
RM50,001 to RM100,000	**2**	—
	11	9
	15	11

35. ALLOWANCES FOR LOSSES ON LOAN, ADVANCES AND FINANCING

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Allowance for bad and doubtful debts and financing:				
– Specific:				
Made in the year	**1,649,562**	1,733,021	**1,298,604**	1,398,225
Written back	**(701,147)**	(584,810)	**(519,867)**	(517,309)
Net	**948,415**	1,148,211	**778,737**	880,916
– General	**415,169**	319,251	**398,273**	304,034
Bad debts and financing:				
– Written off	**45,168**	18,411	**44,442**	16,489
– Recovered *	**(597,270)**	(784,917)	**(562,629)**	(712,382)
	811,482	700,956	**658,823**	489,057
Write back for recoveries of amounts receivable from Danaharta	**—**	(99)	**—**	—
Write back of provision for other debts	**(7,075)**	(6,351)	**—**	—
	804,407	694,506	**658,823**	489,057

* Included in current year's bad debts and financing recovered is an amount of RM139,291,046 (2007: RM257,733,000) relating to gain on sale of non-performing loans as disclosed in Note 49(e).

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to those disclosed in other notes to the financial statements, the Group and the Bank recorded the following transactions with related parties during the financial year:

	Bank	
	2008 RM'000	**2007 RM'000**
Transactions with subsidiaries and associates:		
Income:		
Interest on deposits	**194,088**	62,543
Dividend income	**198,606**	805,709
Rental of premises	**2,441**	2,682
Other income	**214,337**	66,227
	609,472	937,161

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Bank has the following transactions with related parties during the financial year: (Cont'd.)

	Bank	
	2008 RM'000	2007 RM'000
Transactions with subsidiaries and associates: (Cont'd.)		
Expenditure:		
Interest on deposits	**194,360**	113,372
Other expenses	**20,819**	23,079
	215,179	136,451
Other transactions:		
Acquisition of unquoted private debt securities with face value of RM3,832,000,000 (2007: RM2,970,000,000) from Aseambankers Malaysia Berhad	**3,841,728**	2,974,391
Acquisition of loans and advances and securities from Aseambankers Malaysia Berhad pursuant to Investment Bank Rationalisation Programme	**—**	300,488
Disposal of investment property from Double Care Sdn. Bhd. to Life, general takaful and family takaful funds	**37,000**	—

(b) Included in the balance sheet of the Bank are amounts due from/(to) subsidiaries represented by the following:

	Bank	
	2008 RM'000	2007 RM'000
Amounts due from subsidiaries:		
Current accounts and deposits	**2,647,299**	1,808,770
Negotiable Instruments Deposits	**3,548,013**	650,000
Interest and other receivable on deposits	**185,380**	132,647
	6,380,692	2,591,417
Amounts due to subsidiaries:		
Current accounts and deposits	**2,777,537**	3,757,547
Negotiable Instruments Deposits	**203,342**	489,088
Private Debt Securities	**38,589**	55,050
Interest payable on deposits	**17,247**	7,958
Deposits and other creditors	**6,143,056**	1,843,463
	9,179,771	6,153,106

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) Key management personnel compensation

The remuneration of directors and other members of key management during the year are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short-term employee benefits				
– Fees	**3,248**	3,472	**1,260**	1,234
– Salaries, allowances and bonuses	**10,675**	9,489	**4,626**	3,936
– Contribution to Employees Provident Fund (EPF)	**1,425**	1,354	**788**	681
– Other staff benefits	**545**	992	**242**	291
Share-based payment				
– ESOS expense	**463**	1,646	**280**	919
Post employment benefits				
– Retirement gratuity	**2,997**	—	**2,997**	—
	19,353	16,953	**10,193**	7,061

Included in the total key management personnel compensation are:

		Group		Bank	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors' remuneration including benefits-in-kind	34	**16,708**	14,493	**10,193**	7,061

The movement in share options of key management personnel is as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 July	**2,446**	4,203	**1,560**	2,672
Granted	**—**	929	**—**	655
Exercised	**(876)**	(2,550)	**(620)**	(1,631)
Forfeited	**(126)**	(136)	**—**	(136)
At 30 June	**1,444**	2,446	**940**	1,560

The share options were granted on the same terms and conditions as those offered to other employees of the Group, as disclosed in Note 26.

37. TAXATION AND ZAKAT

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysian income tax	**1,141,589**	1,133,932	**899,636**	1,044,908
Foreign tax	**105,215**	93,352	**99,502**	89,408
Less: Double taxation relief	**(98,639)**	(78,381)	**(97,652)**	(77,651)
	1,148,165	1,148,903	**901,486**	1,056,665
Over provision in respect of prior years:				
Malaysian income tax	**(131,897)**	(113,389)	**(189,813)**	(85,926)
	1,016,268	1,035,514	**711,673**	970,739
Deferred tax (Note 23):				
Relating to originating and reversal of temporary differences (net)	**23,715**	37,176	**64,066**	16,288
Relating to changes in tax rates	**41,547**	37,555	**40,219**	36,721
Over provision in prior years	**(1,381)**	(3,027)	**(1,348)**	(7,215)
	63,881	71,704	**102,937**	45,794
Tax expense for the year	**1,080,149**	1,107,218	**814,610**	1,016,533
Zakat	**3,581**	3,609	**—**	—
	1,083,730	1,110,827	**814,610**	1,016,533

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% in subsequent year of assessment 2009. The computation of deferred tax as at 30 June 2008 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

37. TAXATION AND ZAKAT (CONT'D.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

Group	**2008 RM'000**	**2007 RM'000**
Profit before taxation	**4,086,070**	4,363,698
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	**1,062,378**	1,178,198
Different tax rates in other countries	**6,575**	14,971
Effect of changes in tax rates on opening balance of deferred tax	**41,547**	37,555
Income not subject to tax	**(64,519)**	(55,553)
Expenses not deductible for tax purposes	**167,202**	49,843
Utilisation of previously unrecognised tax losses and capital allowances	**—**	(2,231)
Deferred tax assets not recognised during the year	**244**	851
Over provision in deferred tax in prior years	**(1,381)**	(3,027)
Over provision in prior years	**(131,897)**	(113,389)
Tax expense for the year	**1,080,149**	1,107,218
Bank		
Profit before taxation	**3,118,575**	3,892,704
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	**810,830**	1,051,030
Different tax rates in other countries	**1,850**	11,757
Effect of changes in tax rates on opening balance of deferred tax	**40,219**	36,721
Income not subject to tax	**(5,910)**	(34,062)
Expenses not deductible for tax purposes	**158,782**	44,228
Over provision in deferred tax in prior years	**(1,348)**	(7,215)
Over provision in tax expense in prior years	**(189,813)**	(85,926)
Tax expense for the year	**814,610**	1,016,533

	Group	
	2008 RM'000	**2007 RM'000**
Tax savings recognised during the year arising from:		
Utilisation of current year absorbed capital allowance	**307**	307
Utilisation of unabsorbed capital allowances previously not recognised	**20,546**	20,546

38. EARNINGS PER SHARE (EPS)

(a) Basic

The basic and diluted EPS of the Group and the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2008	**2007**	**2008**	**2007**
Profit for the year attributable to equity holders of the Bank (RM'000)	**2,928,202**	3,178,372	**2,373,152**	3,051,461
Weighted average number of ordinary shares in issue ('000)	**4,873,865**	4,810,799	**4,873,865**	4,810,799
Basic EPS (sen)	**60.1**	66.1[1]	**48.7**	63.4[1]

[1] Adjusted for bonus issue of 1:4

(b) Diluted

The diluted EPS of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue, which has been adjusted for the number of shares that could have been issued under the ESOS.

In the diluted EPS calculation, it was assumed that the share options were exercised into ordinary shares. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average price of the Bank's shares during the financial year) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment was made to the net profit for the financial year.

	Group		Bank	
	2008	**2007**	**2008**	**2007**
Profit for the year attributable to equity holders of the Bank (RM'000)	**2,928,202**	3,178,372	**2,373,152**	3,051,461

38. EARNINGS PER SHARE (EPS) (CONT'D.)

(b) Diluted (Cont'd.)

	Group		Bank	
	2008 '000	2007 '000	2008 '000	2007 '000
Weighted average number of ordinary shares in issue	**4,873,865**	4,810,799	**4,873,865**	4,810,799
Effect of dilution:				
Assumed share options exercised	**2,574**	10,299	**2,574**	10,299
Adjusted weighted-average number of ordinary shares in issue and issuable	**4,876,439**	4,821,098[1]	**4,876,439**	4,821,098[1]
Fully diluted EPS (sen)	**60.0**	65.9	**48.7**	63.3

[1] Adjusted for bonus issue of 1:4

39. DIVIDENDS

	Group and Bank		Net dividend per Share	
	2008 RM'000	2007 RM'000	2008 Sen	2007 Sen
Final dividend of 35% less 28% taxation in respect of the year ended 30 June 2006	**—**	964,663	**—**	25.2
Interim dividend of 40% less 27% taxation in respect of year ended 30 June 2007	**—**	1,134,267	**—**	29.2
Final dividend of 40% less 27% taxation in respect of year ended 30 June 2007	**1,137,379**	—	**29.2**	—
First interim dividend of 17.5% less 26% taxation in respect of year ended 30 June 2008	**504,736**	—	**13.0**	—
Second interim dividend of 15.0% less 26% taxation in respect of year ended 30 June 2008	**541,793**	—	**11.1**	—
	2,183,908	2,098,930	**53.3**	54.4

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2008 of 20% less 26% taxation on 4,881,123,401 ordinary shares, amounting to a net dividend payable of RM722,406,263 (14.80 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2009.

40. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank and its subsidiaries as at 30 June, are as follows:

	2008			2007		
Group	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Direct credit substitutes	**5,374,494**	**5,374,494**	**4,926,774**	5,171,650	5,171,650	4,736,389
Certain transaction-related contingent items	**9,764,496**	**4,888,972**	**4,538,086**	7,213,591	3,606,795	3,273,307
Short-term self-liquidating trade-related contingencies	**5,030,235**	**1,000,050**	**616,592**	6,562,586	1,312,517	614,099
Islamic housing and hire purchase loans sold to Cagamas Berhad	**1,013,603**	**1,013,603**	**800,474**	1,196,143	1,196,143	991,686
Obligations under underwriting agreements	**377,364**	**91,182**	**73,182**	1,166,613	583,307	583,307
Irrevocable commitments to extend credit:						
– maturity within one year	**67,183,070**	**—**	**—**	60,228,585	—	—
– maturity exceeding one year	**9,993,821**	**4,996,911**	**4,829,304**	9,887,353	4,943,676	4,715,569
Foreign exchange related contracts:						
– less than one year	**55,082,330**	**668,355**	**281,824**	50,797,825	525,756	180,914
– one year to less than five years	**986,785**	**44,714**	**4,560**	757,997	7,845	2,699
Interest rate related contracts:						
– less than one year	**25,007,333**	**813,158**	**226,585**	23,812,539	863,091	214,301
– one year to less than five years	**16,760,168**	**431,902**	**295,928**	2,182,786	79,116	19,645
– five years and above	**2,679,826**	**175,229**	**125,918**	3,587,527	130,030	32,287
Miscellaneous	**4,963,237**	**—**	**—**	2,827,255	—	—
	204,216,762	**19,498,570**	**16,719,227**	175,392,450	18,419,926	15,364,203

40. COMMITMENTS AND CONTINGENCIES (CONT'D.)

	2008			2007		
Bank	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Direct credit substitutes	**4,488,159**	**4,488,159**	**4,152,957**	4,470,302	4,470,302	4,035,043
Certain transaction-related contingent items	**9,095,796**	**4,547,896**	**4,244,422**	7,144,082	3,572,041	3,242,020
Short-term self-liquidating trade-related contingencies	**4,661,882**	**932,376**	**561,818**	6,495,940	1,299,188	606,916
Islamic housing and hire purchase loans sold to Cagamas Berhad	**—**	**—**	**—**	1,196,143	1,196,143	991,686
Obligations under underwriting agreements	**182,364**	**91,182**	**73,182**	286,822	143,411	143,411
Irrevocable commitments to extend credit:						
– maturity within one year	**60,803,246**	**—**	**—**	59,698,675	—	—
– maturity exceeding one year	**9,558,044**	**4,779,022**	**4,724,882**	9,299,580	4,649,790	4,555,080
Foreign exchange related contracts:						
– less than one year	**55,082,330**	**667,830**	**281,824**	50,797,825	525,756	180,914
– one year to less than five years	**986,785**	**13,164**	**4,560**	757,997	7,845	2,699
Interest rate related contracts:						
– less than one year	**24,063,151**	**813,048**	**226,428**	23,371,524	847,098	206,638
– one year to less than five years	**15,728,681**	**404,554**	**265,918**	2,142,360	77,650	18,942
– five years and above	**2,571,142**	**161,917**	**119,261**	3,521,085	127,621	31,132
Miscellaneous	**4,857,813**	**—**	**—**	2,774,807	—	—
	192,079,393	**16,899,148**	**14,655,252**	171,957,142	16,916,845	14,014,481

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factors and risk weights, respectively as specified by Bank Negara Malaysia.

The Bank is contingently liable in respect of Islamic housing and hire purchase loans sold to Cagamas Berhad on the condition that they undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

40. COMMITMENTS AND CONTINGENCIES (CONT'D.)

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. Principal amounts of the foreign exchange related contracts and interest rate related contracts are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Foreign exchange related contracts:				
– Forward contracts	**13,644,197**	15,248,297	**15,859,784**	15,248,297
– Swaps	**39,531,712**	35,436,563	**39,531,712**	35,436,563
– Options	**2,893,206**	870,962	**677,619**	870,962
Interest rate related contracts:				
– Futures contracts	**100,000**	1,000	**100,000**	1,000
– Swaps	**44,347,327**	29,581,852	**42,262,974**	29,033,969
	100,516,442	81,138,674	**98,432,089**	80,590,791

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

As at 30 June, the amounts of market risk and credit risk are as follows:

	Group and Bank	
	2008 RM'000	2007 RM'000
Market risk:		
Amount of contracts which were not hedged and hence, exposed to market risk	**245,614**	135,910
Credit risk:		
Amount of credit risk, measured in terms of cost to replace the profitable contracts	**302,515**	159,053

40. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities

(i) In 2005, a subsidiary, Mayban Trustees Berhad ("MTB") and eleven other defendants were served with a writ of summons by ten plaintiffs/bondholders for an amount of approximately RM157.8 million. MTB was alleged to have acted in breach of trust and negligently in its capacity as Trustee for the bonds issued. MTB does not admit any liability to the claim and is defending the suit. The suit is pending determination at trial.

On 7 July 2008, the plaintiffs entered judgement by consent against the 1st, 4th and 6th to 12th defendants for the sum of RM149,315,000.00 as well as withdrew the claim against the 5th defendant. The entering of the said judgement by consent is not in any way an implication of liability on the part of MTB and MTB shall continue to defend the suit.

The above contingent liability is covered by an existing Banker Blanket Bond Policy between the Bank and a subsidiary, Mayban General Assurance Berhad ("MGAB"), which had entered into a facultative reinsurance contract for an insured sum of RM150 million with three other re-insurers.

No provision is made in the Group's financial statements.

The 1st Defendant has on 4 August 2008 served a counterclaim on MTB for almost RM535 million being loss of profit, expenses and damages stated to have been incurred by it which allegedly arises as a result of MTB unlawfully declaring an Event Of Default ("EOD") on the bonds. MTB's solicitors shall defend the Counterclaim and their opinion is that the Counterclaim is without merit as the 1st Defendant had failed to perform their obligations under the bonds. Further, the 1st Defendant had on 7 July 2008 consented to judgement, thereby admitting the EOD and liability for the sum of RM149,315,000.00. MTB is of the view that the EOD was declared lawfully and MTB is in any event entitled under the trust deed to be indemnified by the bondholders for the Counterclaim.

(ii) In 2004, Etiqa Takaful Berhad ("ETB") (formerly known as Takaful Nasional Berhad), now a subsidiary of the Bank, commenced a civil suit against a borrower ("the 1st Defendant") and three guarantors, for the sum of approximately RM25.8 million, following the recall of the relevant facility which was preceded by the 1st Defendant's failure to pay monthly installments.

The 1st Defendant counter-claimed for loss and damage amounting to approximately RM284 million as a result of ETB's failure to release the balance of the facility of RM7.5 million. It is alleged that the 1st Defendant was unable to carry on its project and therefore suffered loss and damage, ETB are proceeding with their claim and are resisting the 1st Defendant's counter-claim. ETB have filed its defence to the counterclaim and an application to strike out the counterclaim as well.

ETB are of the view that they have a good chance of succeeding in the action and in securing a dismissal of the 1st Defendant's counterclaim.

40. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (Cont'd.)

(iii) A corporate borrower has issued a writ of summon against Aseambankers in 2005 in its capacity as agent bank for the syndicate lenders claiming general, special and exemplary damages arising from alleged breach of duty owed by Aseambankers. Although it has not been quantified, the claim value is estimated at approximately RM450 million.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by Aseambankers and three other financial institutions as the syndicated lenders. The loan was restructured in 2002 to RM38 million with terms for repayment. In 2006, Aseambankers and three other syndicated lenders filed a suit against the corporate borrower for the recovery of the loan. The two suits were then ordered by the court to be heard together.

Out of the estimated claim of RM450.0 million, Maybank's exposure is RM189.0 million (inclusive of the assets and liabilities of KBB (one of the syndicated lenders) and from Aseambankers which had been vested to the Bank in respect of this account pursuant to a vesting order dated 28 September 2006 and 21 May 2007 respectively).

Based on advice from its solicitors, Aseambankers are of the view that it has a more than even chance of succeeding in defending the corporate borrower's claim.

41. FINANCIAL RISK MANAGEMENT POLICIES

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are customer sector and support and services sector. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Maybank Group.

At the management level, the Executive Risk Committee and the Asset and Liability Management Committee ensure all key risks are managed in line with their respective Terms of Reference.

The Group's approach to risk management is premised on the following Seven Broad Principles of Risk Management:

(a) The risk management approach is premised on the three lines of defence concept – risk taking units, risk control units and internal audit.

(b) The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.

(c) Risk Management provides risk oversight for the major risk categories including credit, market, liquidity, operational and other industry-specific risk types (eg insurance and stockbroking risks).

(d) Risk Management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.

(e) Risk Management is functionally and organisationally independent of business sectors and other risk taking units within the Group.

(f) The Maybank Board, through the Risk Management Committee, maintains overall responsibility for the risk oversight function within the Group.

(g) Risk Management ensures the execution of various risk policies and related decisions of the Board.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The following are the key risk areas encountered by the Maybank Group and how they are managed by the risk management units within the Group:

(a) Credit Risk Management

The Credit Risk Management team is primarily involved in managing and enhancing asset quality through the formulation and review of credit risk frameworks, policies, credit risk measurement methodologies, tools and reports. The team sets and reviews concentration limits according to various categories such as single customer groups, economic segments, collateral types, product types, banks and countries. Credit risk ratings are also developed to measure the risk of default by enterprise borrowers across the Maybank Group. Periodic credit stress testing under selected scenarios are also performed and the results reported. Credit risk reports are regularly submitted to the Executive Risk Committee, Risk Management Committee and the Board of Directors.

(b) Market Risk Management

The Market Risk Management team continually evaluates risk arising from adverse movements in market prices or rates that impact both the trading and banking book. A proactive risk assessment process is maintained through a robust market risk management framework that includes quantification methodologies, risk limits and measurement systems. Market risk profiles are regularly reported to the various levels of management, the Asset and Liability Management Committee (ALCO), the Risk Management Committee (RMC) and the Board of Directors.

Market risk controls adopted include the "Value-at-Risk" ("VaR"), "Earnings-at-Risk" ("EaR"), "Economic Value-at-Risk" ("EVaR") and dynamic simulation measurement tools, independent mark-to-market valuations, on-line tracking of various risk limits for trading positions, stress testing of portfolios and back testing of risk models.

(c) Liquidity Risk Management

The primary mechanism and tool for monitoring liquidity is the cash flow behaviour of the Bank. A liquidity risk framework ascertains liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of eligible liquid assets.

Liquidity risk is addressed through various measurement techniques such as liquidity gap analysis, early warning signals and stress testing that are controlled using approved limits and benchmarks. Periodic reports are presented to various operating and management level, including the ALCO, RMC and Board of Directors. In addition, the Bank reviews and enhances its Contingency Funding Plan to address probable circumstances that could cause liquidity distress to the Bank.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Operational Risk Management

Under the Group's three lines of defence concept, risk taking units (Business/Support Sectors) are the primary parties responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. Risk taking units constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. They are responsible for putting in place and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with Maybank Group's operational risk management framework.

Meanwhile, as the second line of defence, the Operational Risk Management team is responsible for the formulation and implementation of operational risk management framework within Maybank Group, which encompasses the operational risk governance structure, policies and processes. The above also include the maintenance and analysis of operational loss database, development and implementation of various operational risk management tools and methodologies to identify, measure, mitigate and monitor operational risks.

Finally, Internal Audit acts as the third line of defence by overseeing compliance in respect of day-to-day management of operational risks at all organisational levels by providing independent assurance regarding the overall effectiveness of the operational risk management process.

Further information on the risk management practices of the Group are disclosed in the Section on Risk Management.

42. INTEREST RATE RISK

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net interest income from changes in market interest rates.

42. INTEREST RATE RISK (CONT'D.)

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2008	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	**24,159,124**	**–**	**–**	**–**	**–**	**3,485,235**	**–**	**27,644,359**	**3.52**
Deposits and placements with banks and other financial institutions	**142,323**	**5,855,128**	**2,889,216**	**–**	**19,000**	**50,848**	**–**	**8,956,515**	**3.21**
Securities purchased under resale agreements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Securities held-for-trading	**–**	**–**	**–**	**–**	**–**	**–**	**880,794**	**880,794**	**4.84**
Securities available-for-sale	**321,153**	**464,642**	**121,117**	**1,506,902**	**458,735**	**4,696**	**31,606,890**	**34,484,135**	**5.03**
Securities held-to-maturity	**3,993**	**15,481**	**117,081**	**657,625**	**191,299**	**200,748**	**–**	**1,186,227**	**6.40**
Loans, advances and financing									
– Performing	**68,847,061**	**16,972,070**	**16,410,964**	**18,146,327**	**23,765,415**	**20,602,829**	**–**	**164,744,666**	**6.46**
– Non-performing*	**–**	**–**	**–**	**–**	**–**	**55,000**	**–**	**55,000**	**–**
Derivative assets	**–**	**–**	**–**	**–**	**–**	**–**	**830,150**	**830,150**	**–**
Other assets	**–**	**–**	**–**	**–**	**–**	**3,915,687**	**–**	**3,915,687**	**–**
Other non-interest sensitive balances	**–**	**–**	**–**	**–**	**–**	**10,713,198**	**–**	**10,713,198**	**–**
Life, general takaful and family takaful fund assets	**–**	**–**	**–**	**–**	**–**	**15,689,969**	**–**	**15,689,969**	**–**
Total Assets	**93,473,654**	**23,307,321**	**19,538,378**	**20,310,854**	**24,434,449**	**54,718,210**	**33,317,834**	**269,100,700**	
Liabilities and Shareholders' Equity									
Deposits from customers	**69,355,844**	**23,664,629**	**39,142,581**	**33,697,356**	**66,300**	**21,185,367**	**–**	**187,112,077**	**1.86**
Deposits and placements of banks and other financial institutions	**17,290,526**	**4,291,998**	**1,039,876**	**1,349,196**	**249,727**	**332,783**	**–**	**24,554,106**	**3.02**
Obligations on securities sold under repurchase agreements	**322,371**	**–**	**–**	**–**	**–**	**–**	**–**	**322,371**	**2.80**
Bills and acceptances payable	**1,470,830**	**1,514,899**	**290,328**	**–**	**–**	**1,516,245**	**–**	**4,792,302**	**3.57**
Derivatives liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**1,055,097**	**1,055,097**	**–**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**5,248,563**	**–**	**5,248,563**	**–**
Recourse obligation on loans sold to Cagamas	**–**	**393,581**	**515,272**	**365,216**	**–**	**–**	**–**	**1,274,069**	**4.38**
Subordinated obligations	**–**	**–**	**975,723**	**4,000,000**	**–**	**–**	**–**	**4,975,723**	**4.28**
Stapled Capital Securities	**–**	**–**	**–**	**–**	**3,497,316**	**–**	**–**	**3,497,316**	**6.85**
Other non-interest sensitive balances	**–**	**–**	**–**	**–**	**–**	**487,345**	**–**	**487,345**	**–**
Life, general takaful and family takaful fund liabilities	**–**	**–**	**–**	**–**	**–**	**4,032,822**	**–**	**4,032,822**	**–**
Life, general takaful and family takaful policy holders' funds	**–**	**–**	**–**	**–**	**–**	**11,657,147**	**–**	**11,657,147**	**–**
Total Liabilities	**88,439,571**	**29,865,107**	**41,963,780**	**39,411,768**	**3,813,343**	**44,460,272**	**1,055,097**	**249,008,938**	

42. INTEREST RATE RISK (CONT'D.)

Group 2008 (Cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Shareholders' equity	–	–	–	–	–	**19,302,493**	–	**19,302,493**	–
Minority interests	–	–	–	–	–	**789,269**	–	**789,269**	–
	–	–	–	–	–	**20,091,762**	–	**20,091,762**	
Total Liabilities and Shareholders' Equity	**88,439,571**	**29,865,107**	**41,963,780**	**39,411,768**	**3,813,343**	**64,552,034**	**1,055,097**	**269,100,700**	
On-balance sheet interest sensitivity gap	**5,034,083**	**(6,557,786)**	**(22,425,402)**	**(19,100,914)**	**20,621,106**	**(9,833,824)**	**32,262,737**	**–**	
Off-balance sheet interest sensitivity gap (interest rate swaps)	**(1,340,624)**	**2,053,934**	**4,809,109**	**(4,048,764)**	**(1,473,655)**	**–**	**–**	**–**	
Total interest sensitivity gap	**3,693,459**	**(4,503,852)**	**(17,616,293)**	**(23,149,678)**	**19,147,451**	**(9,833,824)**	**32,262,737**	**–**	
Cumulative interest rate sensitivity gap	**3,693,459**	**(810,393)**	**(18,426,686)**	**(41,576,364)**	**(22,428,913)**	**(32,262,737)**	**–**		
2007									
Assets									
Cash and short-term funds	32,184,637	—	—	—	—	5,289,928	122,857	37,597,422	4.66
Deposits and placements with banks and other financial institutions	75,802	9,934,437	6,900,360	10,000	5,000	418,897	3,925	17,348,421	4.77
Securities purchased under resale agreements	173,351	85,421	—	—	—	—	—	258,772	3.20
Securities held-for-trading	—	—	—	—	—	—	2,032,634	2,032,634	4.43
Securities available-for-sale	—	—	—	—	—	—	29,124,704	29,124,704	4.32
Securities held-to-maturity	275,534	109,462	988,426	715,724	401,429	43,817	—	2,534,392	4.29
Loans, advances and financing									
– Performing	57,832,642	10,674,373	8,770,062	24,399,903	24,939,881	12,622,195	—	139,239,056	6.62
– Non-performing*	—	—	—	—	—	1,625,680	—	1,625,680	—
Derivative assets	—	—	—	—	—	—	394,870	394,870	—
Other assets	—	—	—	—	—	3,375,393	—	3,375,393	—
Other non-interest sensitive balances	—	—	—	—	—	8,098,073	—	8,098,073	—
Life, general takaful and family takaful fund assets	—	—	—	—	—	15,037,859	—	15,037,859	—
Total Assets	90,541,966	20,803,693	16,658,848	25,125,627	25,346,310	46,511,842	31,678,990	256,667,276	

42. INTEREST RATE RISK (CONT'D.)

Group 2007 (Cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	53,845,268	18,489,984	34,003,949	38,824,910	184,646	18,328,005	—	163,676,762	2.14
Deposits and placements of banks and other financial institutions	14,316,670	7,891,224	2,425,445	1,496,682	457,273	2,947,396	—	29,534,690	3.93
Obligations on securities sold under repurchase agreements	9,572,963	152,690	231,412	—	—	—	—	9,957,065	3.12
Bills and acceptances payable	236,919	698,265	278,898	—	—	1,715,988	—	2,930,070	3.56
Derivatives liabilities	—	—	—	—	—	—	656,705	656,705	—
Other liabilities	—	—	—	—	—	5,089,567	—	5,089,567	—
Recourse obligation on loans sold to Cagamas	182,105	54,248	591,781	1,627,628	—	—	—	2,455,762	4.09
Subordinated obligations	—	—	—	—	6,344,048	—	—	6,344,048	4.77
Other non-interest sensitive balances	—	—	—	—	—	1,116,600	—	1,116,600	—
Life, general takaful and family takaful fund liabilities	—	—	—	—	—	1,194,914	—	1,194,914	—
Life, general takaful and family takaful policy holders' funds	—	—	—	—	—	13,842,945	—	13,842,945	—
Total Liabilities	78,153,925	27,286,411	37,531,485	41,949,220	6,985,967	44,235,415	656,705	236,799,128	
Shareholders' equity	—	—	—	—	—	19,197,656	—	19,197,656	—
Minority interests	—	—	—	—	—	670,492	—	670,492	—
	—	—	—	—	—	19,868,148	—	19,868,148	
Total Liabilities and Shareholders' Equity	78,153,925	27,286,411	37,531,485	41,949,220	6,985,967	64,103,563	656,705	256,667,276	
On-balance sheet interest sensitivity gap	12,388,041	(6,482,718)	(20,872,637)	(16,823,593)	18,360,343	(17,591,721)	31,022,285	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,408,732)	2,520,569	1,628,139	(446,677)	(1,293,299)	—	—	—	
Total interest sensitivity gap	9,979,309	(3,962,149)	(19,244,498)	(17,270,270)	17,067,044	(17,591,721)	31,022,285	—	
Cumulative interest rate sensitivity gap	9,979,309	6,017,160	(13,227,338)	(30,497,608)	(13,430,564)	(31,022,285)	—		

42. INTEREST RATE RISK (CONT'D.)

Bank 2008	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	**20,419,009**	**–**	**–**	**–**	**–**	**3,650,608**	**–**	**24,069,617**	**2.92**
Deposits and placements with banks and other financial institutions	**142,323**	**5,591,067**	**2,840,871**	**–**	**–**	**221,231**	**–**	**8,795,492**	**3.11**
Securities purchased under resale agreements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Securities held-for-trading	**–**	**–**	**–**	**–**	**–**	**–**	**418,170**	**418,170**	**4.67**
Securities available-for-sale	**–**	**–**	**–**	**–**	**–**	**–**	**28,620,398**	**28,620,398**	**4.33**
Securities held-to-maturity	**–**	**15,022**	**45,047**	**350,030**	**81,635**	**181,238**	**–**	**672,972**	**6.17**
Loans, advances and financing									
– Performing	**67,055,417**	**15,800,249**	**15,254,020**	**17,518,425**	**23,446,221**	**–**	**–**	**139,074,332**	**6.38**
– Non-performing*	**–**	**–**	**–**	**–**	**–**	**(88,611)**	**–**	**(88,611)**	**–**
Derivative assets	**–**	**–**	**–**	**–**	**–**	**–**	**828,182**	**828,182**	**–**
Other assets	**–**	**–**	**–**	**–**	**–**	**3,040,046**	**–**	**3,040,046**	**–**
Other non-interest sensitive balances	**–**	**–**	**–**	**–**	**–**	**13,741,887**	**–**	**13,741,887**	**–**
Total Assets	**87,616,749**	**21,406,338**	**18,139,938**	**17,868,455**	**23,527,856**	**20,746,399**	**29,866,750**	**219,172,485**	
Liabilities and Shareholders' Equity									
Deposits from customer	**59,664,916**	**21,770,498**	**38,843,576**	**33,527,951**	**66,300**	**2,449,323**	**–**	**156,322,564**	**1.71**
Deposits and placements of banks and other financial institutions	**16,777,231**	**4,278,011**	**1,035,122**	**1,348,752**	**249,727**	**2,158,454**	**–**	**25,847,297**	**2.64**
Obligations on securities sold under repurchase agreements	**322,371**	**–**	**–**	**–**	**–**	**–**	**–**	**322,371**	**2.80**
Bills and acceptances payable	**1,470,830**	**1,514,899**	**290,328**	**–**	**–**	**1,120,324**	**–**	**4,396,381**	**3.58**
Derivatives liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**1,027,048**	**1,027,048**	**–**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**3,919,074**	**–**	**3,919,074**	**–**
Recourse obligation on loans sold to Cagamas	**–**	**393,581**	**515,272**	**365,216**	**–**	**–**	**–**	**1,274,069**	**4.38**
Subordinated obligations	**–**	**–**	**975,723**	**4,000,000**	**–**	**–**	**–**	**4,975,723**	**4.28**
Stapled Capital Securities	**–**	**–**	**–**	**–**	**3,497,316**	**–**	**–**	**3,497,316**	**6.85**
Other non-interest sensitive balances	**–**	**–**	**–**	**–**	**–**	**390,327**	**–**	**390,327**	**–**
Total Liabilities	**78,235,348**	**27,956,989**	**41,660,021**	**39,241,919**	**3,813,343**	**10,037,502**	**1,027,048**	**201,972,170**	

42. INTEREST RATE RISK (CONT'D.)

Bank 2008 (Cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Shareholders' equity	–	–	–	–	–	**17,200,315**	–	**17,200,315**	–
Total Liabilities and Shareholders' Equity	**78,235,348**	**27,956,989**	**41,660,021**	**39,241,919**	**3,813,343**	**27,237,817**	**1,027,048**	**219,172,485**	
On-balance sheet interest sensitivity gap	**9,381,401**	**(6,550,651)**	**(23,520,083)**	**(21,373,464)**	**19,714,513**	**(6,491,418)**	**28,839,702**	–	
Off-balance sheet interest sensitivity gap (interest rate swaps)	**(1,135,864)**	**1,994,366**	**2,382,418**	**(1,851,109)**	**(1,389,811)**	–	–	–	
Total interest sensitivity gap	**8,245,537**	**(4,556,285)**	**(21,137,665)**	**(23,224,573)**	**18,324,702**	**(6,491,418)**	**28,839,702**	–	
Cumulative interest rate sensitivity gap	**8,245,537**	**3,689,252**	**(17,448,413)**	**(40,672,986)**	**(22,348,284)**	**(28,839,702)**	–		

Bank 2007	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Sub-Total RM'000	Transfer to subsidiary, pursuant to Islamic Banking operations RM'000	Total RM'000	Effective interest rate %
Assets											
Cash and short-term funds	29,117,254	—	—	—	—	5,083,655	—	34,200,909	(1,633,560)	32,567,349	4.58
Deposits and placements with banks and other financial institutions	31,823	8,664,258	6,468,752	—	—	396,081	—	15,560,914	(1,120)	15,559,794	4.84
Securities purchased under resale agreements	173,351	85,421	—	—	—	—	—	258,772	—	258,772	3.20
Securities held-for-trading	—	—	—	—	—	—	1,447,227	1,447,227			4.20
Securities available-for-sale	—	—	—	—	—	—	25,213,654	25,213,654	(3,246,350)	25,378,595	3.95
Securities held-to-maturity	—	91,003	1,126,672	357,147	363,869	25,373	—	1,964,064			4.45
Loans, advances and financing											
– Performing	56,346,011	8,711,918	7,810,960	24,123,624	24,766,171	12,719,773	—	134,478,457	(17,666,463)	118,557,035	6.60
– Non-performing*	—	—	—	—	—	1,745,041	—	1,745,041			—
Derivative assets	—	—	—	—	—	—	390,406	390,406	—	390,406	—
Other assets	—	—	—	—	—	1,920,609	—	1,920,609	(73,476)	1,847,133	—
Other non-interest sensitive balances	—	—	—	—	—	10,267,187	—	10,267,187	(501,000)	9,766,187	—
Total Assets	85,668,439	17,552,600	15,406,384	24,480,771	25,130,040	32,157,719	27,051,287	227,447,240	(23,121,969)	204,325,271	

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

42. INTEREST RATE RISK (CONT'D.)

Bank
2007 (Cont'd.)

	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Sub-Total RM'000	Transfer to subsidiary, pursuant to Islamic Banking operations RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity											
Deposits from customer	43,631,730	15,989,458	33,013,878	38,716,551	16,300	18,208,138	—	149,576,055	(15,720,442)	133,855,613	1.95
Deposits and placements of banks and other financial institutions	17,470,601	7,890,985	2,424,881	1,491,886	457,273	2,947,394	—	32,683,020	(1,512,284)	31,170,736	3.91
Obligations on securities sold under repurchase agreements	10,106,302	152,239	231,314	—	—	—	—	10,489,855	—	10,489,855	3.12
Bills and acceptances payable	236,919	698,265	278,898	—	—	1,708,006	—	2,922,088	(526,874)	2,395,214	3.56
Derivatives liabilities	—	—	—	—	—	—	644,860	644,860	—	644,860	—
Other liabilities	—	—	—	—	—	3,896,973	—	3,896,973	(916,632)	2,980,341	—
Recourse obligation on loans sold to Cagamas	182,105	54,248	591,781	1,627,628	—	—	—	2,455,762	—	2,455,762	4.09
Subordinated obligations	—	—	—	—	6,344,048	—	—	6,344,048	—	6,344,048	4.77
Other non-interest sensitive balances	—	—	—	—	—	980,741	—	980,741	—	980,741	—
Total Liabilities	71,627,657	24,785,195	36,540,752	41,836,065	6,817,621	27,741,252	644,860	209,993,402	(18,676,232)	191,317,170	
Shareholders' equity	—	—	—	—	—	17,453,838	—	17,453,838	—	17,453,838	
	—	—	—	—	—	17,453,838	—	17,453,838	—	17,453,838	
Total Liabilities and Shareholders' Equity	71,627,657	24,785,195	36,540,752	41,836,065	6,817,621	45,195,090	644,860	227,447,240	(18,676,232)	208,771,008	
On-balance sheet interest sensitivity gap	14,040,782	(7,232,595)	(21,134,368)	(17,355,294)	18,312,419	(13,037,371)	26,406,427	—			
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,597,074)	2,464,903	1,623,289	(228,771)	(1,262,347)	—	—	—			
Total interest sensitivity gap	11,443,708	(4,767,692)	(19,511,079)	(17,584,065)	17,050,072	(13,037,371)	26,406,427	—			
Cumulative interest rate sensitivity gap	11,443,708	6,676,016	(12,835,063)	(30,419,128)	(13,369,056)	(26,406,427)	—				

43. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO

The Group and Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in interest rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Asset and Liability Management Committee ("ALCO") to protect the income from IBS operations.

The table below summarises the Group's and Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective average yield/profit rates at the balance sheet date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

Group 2008	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	**1,219,120**	**–**	**–**	**–**	**–**	**1,974,337**	**–**	**3,193,457**	**1.53**
Deposits and placements with banks and other financial institutions	**–**	**–**	**–**	**–**	**–**	**1,261**	**–**	**1,261**	**–**
Securities available-for-sale	**321,153**	**464,642**	**121,117**	**1,506,902**	**458,735**	**4,696**	**–**	**2,877,245**	**4.20**
Loans and financing									
- Performing	**4,109,274**	**1,375,087**	**274,292**	**2,399,017**	**12,677,441**	**–**	**–**	**20,835,111**	**6.41**
- Non-performing*	**–**	**–**	**–**	**–**	**–**	**222,777**	**–**	**222,777**	**–**
Derivative assets	**–**	**–**	**–**	**–**	**–**	**–**	**45,185**	**45,185**	**–**
Other assets	**–**	**–**	**–**	**–**	**–**	**199,564**	**–**	**199,564**	**–**
Other non-yield/profit sensitive balances	**–**	**–**	**–**	**–**	**–**	**802,482**	**–**	**802,482**	**–**
Total Assets	**5,649,547**	**1,839,729**	**395,409**	**3,905,919**	**13,136,176**	**3,205,117**	**45,185**	**28,177,082**	
Liabilities and Islamic Banking Fund									
Deposits from customers	**6,479,948**	**2,135,969**	**3,787,587**	**7,210,228**	**188,644**	**1,604**	**–**	**19,803,980**	**2.07**
Deposits and placements of banks and other financial institutions	**1,213,695**	**410,016**	**1,631,207**	**1,103,647**	**577,221**	**653,849**	**–**	**5,589,635**	**3.76**
Bills and acceptances payable	**–**	**175,508**	**214,056**	**–**	**–**	**546**	**–**	**390,110**	**3.45**
Derivatives liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**45,200**	**45,200**	**–**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**477,604**	**–**	**477,604**	**–**
Other non-yield/profit sensitive balances	**–**	**–**	**–**	**–**	**–**	**49,080**	**–**	**49,080**	
Total Liabilities	**7,693,643**	**2,721,493**	**5,632,850**	**8,313,875**	**765,865**	**1,182,683**	**45,200**	**26,355,609**	

43. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Group 2008 (Cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Islamic banking fund	–	–	–	–	–	**1,821,473**	–	**1,821,473**	
Total Liabilities and Islamic Banking Fund	**7,693,643**	**2,721,493**	**5,632,850**	**8,313,875**	**765,865**	**3,004,156**	**45,200**	**28,177,082**	
On-balance sheet yield/ profit rate sensitivity gap	**(2,044,096)**	**(881,764)**	**(5,237,441)**	**(4,407,956)**	**12,370,311**	**200,961**	**(15)**	**–**	
Cumulative yield/profit rate sensitivity gap	**(2,044,096)**	**(2,925,860)**	**(8,163,301)**	**(12,571,257)**	**(200,946)**	**15**	**–**		

Group 2007	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	299,767	—	—	—	—	1,614,108	—	1,913,875	3.44
Deposits and placements with banks and other financial institutions	3,449	51,725	17,242	—	—	1,120	—	73,536	5.32
Securities available-for-sale	86,431	27,625	38,015	—	—	—	3,583,815	3,735,886	3.72
Loans and financing									
– Performing	1,927,047	376,487	287,635	820,313	12,528,732	1,899,495	—	17,839,709	6.89
– Non-performing*	—	—	—	—	—	105,370	—	105,370	—
Other assets	—	—	—	—	—	91,696	—	91,696	—
Other non-yield/profit sensitive balances	—	—	—	—	—	693,303	—	693,303	—
Total Assets	2,316,694	455,837	342,892	820,313	12,528,732	4,405,092	3,583,815	24,453,375	
Liabilities and Islamic Banking Fund									
Deposits from customers	5,484,402	1,010,034	3,394,499	1,363,459	238,486	4,761,165	—	16,252,045	3.06
Deposits and placements of banks and other financial institutions	1,116,403	935,804	2,026	74,320	119,201	30,268	—	2,278,022	4.12
Bills and acceptances payable	151,598	212,147	162,044	—	—	1,085	—	526,874	3.41
Subordinated obligations	—	—	—	—	2,500,000	—	—	2,500,000	4.13
Other liabilities	—	—	—	—	—	694,934	—	694,934	—
Other non-yield/profit sensitive balances	—	—	—	—	—	237,754	—	237,754	—
Total Liabilities	6,752,403	2,157,985	3,558,569	1,437,779	2,857,687	5,725,206	—	22,489,629	

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

43. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Group 2007 (Cont'd.)	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Islamic banking fund	—	—	—	—	—	1,963,746	—	1,963,746	
Total Liabilities and Islamic Banking Fund	6,752,403	2,157,985	3,558,569	1,437,779	2,857,687	7,688,952	—	24,453,375	
On-balance sheet yield/ profit rate sensitivity gap	(4,435,709)	(1,702,148)	(3,215,677)	(617,466)	9,671,045	(3,283,860)	3,583,815	—	
Cumulative yield/profit rate sensitivity gap	(4,435,709)	(6,137,857)	(9,353,534)	(9,971,000)	(299,955)	(3,583,815)	—		

Bank 2007	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	19,500	—	—	—	—	1,614,060	—	1,633,560	3.42
Deposits and placements with banks and other financial institutions	3,449	51,725	17,242	—	—	1,120	—	73,536	5.32
Securities available-for-sale	—	—	—	—	—	—	3,489,141	3,489,141	3.60
Loans and financing									
- Performing	1,927,047	366,123	287,635	820,313	12,528,732	1,899,494	—	17,829,344	6.89
- Non-performing*	—	—	—	—	—	106,114	—	106,114	—
Other assets	—	—	—	—	—	77,499	—	77,499	—
Other non-yield/profit sensitive balances	—	—	—	—	—	693,473	—	693,473	—
Total Assets	1,949,996	417,848	304,877	820,313	12,528,732	4,391,760	3,489,141	23,902,667	

* This is arrived at after deducting the general allowance, specific allowance and income-in-suspense from gross non-performing financing outstanding.

43. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Bank 2007 (Cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Liabilities and Islamic Banking Fund									
Deposits from customers	5,074,359	979,524	3,389,583	1,363,459	238,486	4,761,165	—	15,806,576	3.04
Deposits and placements of banks and other financial institutions	1,116,403	935,804	2,026	74,320	119,201	30,268	—	2,278,022	4.12
Bills and acceptances payable	151,598	212,147	162,044	—	—	1,085	—	526,874	3.41
Subordinated obligations	—	—	—	—	2,500,000	—	—	2,500,000	4.13
Other liabilities	—	—	—	—	—	646,779	—	646,779	—
Other non-yield/profit sensitive balances	—	—	—	—	—	236,531	—	236,531	—
Total Liabilities	6,342,360	2,127,475	3,553,653	1,437,779	2,857,687	5,675,828	—	21,994,782	
Islamic banking fund	—	—	—	—	—	1,907,885	—	1,907,885	
Total Liabilities and Islamic Banking Fund	6,342,360	2,127,475	3,553,653	1,437,779	2,857,687	7,583,713	—	23,902,667	
On-balance sheet yield/ profit rate sensitivity gap	(4,392,364)	(1,709,627)	(3,248,776)	(617,466)	9,671,045	(3,191,953)	3,489,141	—	
Cumulative yield/profit rate sensitivity gap	(4,392,364)	(6,101,991)	(9,350,767)	(9,968,233)	(297,188)	(3,489,141)	—		

44. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar and US Dollar. The "Others" foreign exchange risk include mainly exposure to Euro, Japanese Yen, Renminbi, Philippines Peso, Indonesia Rupiah, Papua New Guinea Kina and Brunei Dollars.

Group 2008	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	**9,727,221**	**2,054,566**	**737,859**	**3,686**	**15,082,336**	**38,691**	**27,644,359**
Deposits and placements with banks and other financial institutions	**4,610,501**	**2,347,726**	**502,099**	**378,373**	**989,935**	**127,881**	**8,956,515**
Securities purchased under resale agreements	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Securities portfolio	**25,519,272**	**4,754,058**	**—**	**306,555**	**5,470,131**	**501,140**	**36,551,156**
Loans, advances and financing	**112,068,266**	**31,648,184**	**397,617**	**1,467,817**	**15,332,968**	**3,884,814**	**164,799,666**
Derivative assets	**241,159**	**95,660**	**4,812**	**59,965**	**361,754**	**66,800**	**830,150**
Other assets	**964,129**	**1,528,410**	**16,193**	**99,590**	**938,230**	**369,135**	**3,915,687**
Investment properties	**3,885**	**—**	**—**	**—**	**—**	**—**	**3,885**
Statutory deposits with Central Banks	**4,714,100**	**949,060**	**—**	**—**	**41,149**	**168,105**	**5,872,414**
Investment in associates	**2,216,117**	**—**	**—**	**—**	**—**	**2,730**	**2,218,847**
Property, plant and equipment	**880,977**	**287,419**	**3,609**	**861**	**4,779**	**33,188**	**1,210,833**
Intangible assets	**174,973**	**12,365**	**—**	**98**	**1,502**	**791**	**189,729**
Deferred tax assets	**1,040,825**	**176,485**	**—**	**—**	**—**	**180**	**1,217,490**
Life, general takaful and family takaful fund assets	**15,280,873**	**—**	**—**	**—**	**409,096**	**—**	**15,689,969**
Total Assets	**177,442,298**	**43,853,933**	**1,662,189**	**2,316,945**	**38,631,880**	**5,193,455**	**269,100,700**

44. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2008 (Cont'd.)	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Liabilities							
Deposits from customers	**134,145,968**	**33,959,554**	**4,409,228**	**433,496**	**10,620,342**	**3,543,489**	**187,112,077**
Deposits and placements of banks and other financial institutions	**5,190,414**	**176,267**	**1,906,842**	**1,866,757**	**13,169,954**	**2,243,872**	**24,554,106**
Obligations on securities sold under repurchase agreements	**—**	**—**	**—**	**—**	**322,371**	**—**	**322,371**
Bills and acceptances payable	**4,610,326**	**161,911**	**495**	**104**	**6,291**	**13,175**	**4,792,302**
Derivative liabilities	**230,346**	**143,398**	**26,294**	**2,307**	**521,135**	**131,617**	**1,055,097**
Other liabilities	**2,107,940**	**975,070**	**17,738**	**74,766**	**1,457,053**	**615,996**	**5,248,563**
Recourse obligation on loans sold to Cagamas	**1,274,069**	**—**	**—**	**—**	**—**	**—**	**1,274,069**
Provision for taxation and zakat	**94,992**	**331,950**	**—**	**2,993**	**880**	**4,668**	**435,483**
Deferred Tax Liabilities	**16,155**	**—**	**—**	**—**	**—**	**35,707**	**51,862**
Subordinated obligations	**4,000,000**	**—**	**—**	**—**	**975,723**	**—**	**4,975,723**
Stapled Capital Securities	**3,497,316**	**—**	**—**	**—**	**—**	**—**	**3,497,316**
Life, general takaful and family takaful fund liabilities	**4,030,260**	**—**	**—**	**—**	**2,562**	**—**	**4,032,822**
Life, general takaful and family takaful fund policy holders' funds	**11,643,705**	**—**	**—**	**—**	**13,442**	**—**	**11,657,147**
Total Liabilities	**170,841,491**	**35,748,150**	**6,360,597**	**2,380,423**	**27,089,752**	**6,588,525**	**249,008,938**
On-balance sheet open position	**6,600,807**	**8,105,783**	**(4,698,408)**	**(63,478)**	**11,542,128**	**(1,395,070)**	**20,091,762**
Off-balance sheet open position	**1,198,473**	**(270,210)**	**3,503,202**	**1,086,665**	**(6,924,852)**	**1,406,722**	**—**
Net open position	**7,799,280**	**7,835,573**	**(1,195,206)**	**1,023,187**	**4,617,276**	**11,652**	**20,091,762**
Net structural position included in the above	**—**	**—**	**6,997**	**21,600**	**—**	**557,920**	**586,517**

44. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2007	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	11,015,631	389,925	200,976	7,829	25,636,734	346,327	37,597,422
Deposits and placements with banks and other financial institutions	6,384,463	1,362	—	144,724	10,786,424	31,448	17,348,421
Securities purchased under resale agreements	258,772	—	—	—	—	—	258,772
Securities portfolio	23,957,568	3,974,255	140	321,237	5,366,959	71,571	33,691,730
Loans, advances and financing	102,110,785	23,185,827	354,398	1,064,791	12,655,606	1,493,329	140,864,736
Derivative assets	79,113	103,037	2,090	8,743	171,737	30,150	394,870
Other assets	2,418,469	255,336	154,942	68,373	—	478,273	3,375,393
Investment properties	40,750	—	—	—	—	—	40,750
Statutory deposits with Central Banks	4,516,100	779,716	—	—	28,400	328,017	5,652,233
Investment in associates	33,445	—	—	—	10,156	—	43,601
Property, plant and equipment	845,080	287,489	4,307	1,074	2,785	10,952	1,151,687
Intangible assets	177,790	11,148	—	44	2,255	1,835	193,072
Deferred tax assets	832,525	164,872	—	—	—	19,333	1,016,730
Life, general takaful and family takaful fund assets	14,505,903	—	—	—	531,956	—	15,037,859
Total Assets	167,176,394	29,152,967	716,853	1,616,815	55,193,012	2,811,235	256,667,276

44. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2007 (Cont'd.)	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Liabilities							
Deposits from customers	117,205,276	28,950,673	3,453,627	184,712	11,985,006	1,897,468	163,676,762
Deposits and placements of banks and other financial institutions	12,241,280	55,411	715,233	1,184,457	14,998,321	339,988	29,534,690
Obligations on securities sold under repurchase agreements	9,957,065	—	—	—	—	—	9,957,065
Bills and acceptances payable	2,720,327	197,757	83	2	2,213	9,688	2,930,070
Derivative liabilities	57,855	69,163	895	1,337	470,802	56,653	656,705
Other liabilities	2,269,061	236,415	647,912	64,257	1,606,635	265,287	5,089,567
Recourse obligation on loans sold to Cagamas	2,455,762	—	—	—	—	—	2,455,762
Provision for taxation and zakat	740,720	260,569	111	10,279	4,325	3,786	1,019,790
Deferred tax liabilities	54,007	1,590	—	—	—	41,213	96,810
Subordinated obligations	4,000,000	—	—	—	2,344,048	—	6,344,048
Life, general takaful and family takaful fund liabilities	1,192,413	—	—	—	2,501	—	1,194,914
Life, general takaful and family takaful fund policy	13,820,809	—	—	—	22,136	—	13,842,945
Total Liabilities	166,714,575	29,771,578	4,817,861	1,445,044	31,435,987	2,614,083	236,799,128
On-balance sheet open position	461,819	(618,611)	(4,101,008)	171,771	23,757,025	197,152	19,868,148
Off-balance sheet open position	19,091,967	(175,753)	3,239,012	(354,673)	(22,325,232)	524,679	—
Net open position	19,553,786	(794,364)	(861,996)	(182,902)	1,431,793	721,831	19,868,148
Net structural position included in the above	—	—	64,096	102,118	—	506,136	672,350

44. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2008	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	**7,035,829**	**2,052,153**	**711,686**	**3,686**	**14,294,996**	**(28,733)**	**24,069,617**
Deposits and placements with banks and other financial institutions	**5,146,022**	**2,290,525**	**277,445**	**378,373**	**679,713**	**23,414**	**8,795,492**
Securities portfolio	**19,757,542**	**4,649,328**	**—**	**268,092**	**4,938,469**	**98,109**	**29,711,540**
Loans, advances and financing	**91,109,412**	**31,648,184**	**397,617**	**1,467,817**	**11,317,512**	**3,045,179**	**138,985,721**
Derivative assets	**241,073**	**95,660**	**4,812**	**59,965**	**361,748**	**64,924**	**828,182**
Other assets	**261,942**	**1,529,444**	**12,833**	**99,350**	**840,707**	**295,770**	**3,040,046**
Statutory deposits with Central Banks	**3,934,100**	**949,060**	**—**	**—**	**41,149**	**15,392**	**4,939,701**
Investment in subsidiaries	**6,374,800**	**144**	**—**	**—**	**48,211**	**—**	**6,423,155**
Investment in associates	**12,055**	**—**	**—**	**—**	**—**	**—**	**12,055**
Property, plant and equipment	**768,901**	**286,010**	**3,609**	**861**	**3,002**	**—**	**1,062,383**
Intangible assets	**168,491**	**12,364**	**—**	**98**	**1,502**	**—**	**182,455**
Deferred tax assets	**945,653**	**176,485**	**—**	**—**	**—**	**—**	**1,122,138**
Total Assets	**135,755,820**	**43,689,357**	**1,408,002**	**2,278,242**	**32,527,009**	**3,514,055**	**219,172,485**
Liabilities							
Deposits from customers	**110,290,318**	**33,959,361**	**2,625,643**	**433,318**	**6,646,868**	**2,367,056**	**156,322,564**
Deposits and placements of banks and other financial institutions	**7,200,726**	**176,267**	**1,906,833**	**1,866,576**	**12,902,713**	**1,794,182**	**25,847,297**
Obligations on securities sold under repurchase agreements	**—**	**—**	**—**	**—**	**322,371**	**—**	**322,371**
Bills and acceptances payable	**4,219,757**	**161,911**	**495**	**104**	**6,291**	**7,823**	**4,396,381**
Derivative liabilities	**223,762**	**143,398**	**26,294**	**2,306**	**518,228**	**113,060**	**1,027,048**
Other liabilities	**1,071,474**	**831,520**	**14,271**	**74,404**	**1,408,142**	**519,263**	**3,919,074**
Recourse obligation on loans sold to Cagamas	**1,274,069**	**—**	**—**	**—**	**—**	**—**	**1,274,069**
Provision for taxation and zakat	**55,170**	**331,293**	**—**	**3,003**	**861**	**—**	**390,327**
Subordinated obligations	**4,000,000**	**—**	**—**	**—**	**975,723**	**—**	**4,975,723**
Stapled Capital Securities	**3,497,316**	**—**	**—**	**—**	**—**	**—**	**3,497,316**
Total Liabilities	**131,832,592**	**35,603,750**	**4,573,536**	**2,379,711**	**22,781,197**	**4,801,384**	**201,972,170**

44. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2008 (Cont'd.)	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
On-balance sheet open position	**3,923,228**	**8,085,607**	**(3,165,534)**	**(101,469)**	**9,745,812**	**(1,287,329)**	**17,200,315**
Off-balance sheet open position	**8,554,761**	**(267,905)**	**3,540,542**	**1,086,550**	**(13,918,454)**	**1,004,506**	**—**
Net open position	**12,477,989**	**7,817,702**	**375,008**	**985,081**	**(4,172,642)**	**(282,823)**	**17,200,315**
Net structural position included in the above	**—**	**—**	**6,997**	**(19,720)**	**—**	**551,503**	**538,780**

Bank 2007	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000	Transfer to subsidiary, pursuant to Islamic Banking operations RM'000	Total RM'000
Assets									
Cash and short-term funds	8,370,688	397,484	182,851	8,294	24,905,308	336,284	34,200,909	(1,633,560)	32,567,349
Deposits and placements with banks and other financial institutions	4,904,657	1,329	—	141,275	10,508,319	5,334	15,560,914	(1,120)	15,559,794
Securities purchased under resale agreements	142,344	116,428	—	—	—	—	258,772	—	258,772
Securities portfolio	19,423,787	3,920,239	—	277,350	4,932,971	70,598	28,624,945	(3,246,350)	25,378,595
Loans, advances and financing	101,840,687	23,171,617	354,181	1,062,543	8,936,262	858,208	136,223,498	(17,666,463)	118,557,035
Derivative assets	79,113	103,037	2,090	8,743	168,595	28,828	390,406	—	390,406
Other assets	344,177	488,664	263,950	112,835	71,092	639,891	1,920,609	(73,476)	1,847,133
Statutory deposits with Central Banks	4,516,100	779,716	—	—	28,400	15,121	5,339,337	(501,000)	4,838,337
Investment in subsidiaries	2,290,730	135	—	—	201,792	271,272	2,763,929	—	2,763,929
Investment in associates	9,235	—	—	—	31,504	—	40,739	—	40,739
Property, plant and equipment	708,242	271,344	3,945	1,020	2,643	—	987,194	—	987,194
Intangible assets	171,154	11,032	—	44	2,232	—	184,462	—	184,462
Deferred tax assets	786,654	164,872	—	—	—	—	951,526	—	951,526
Total Assets	143,587,568	29,425,897	807,017	1,612,104	49,789,118	2,225,536	227,447,240	(23,121,969)	204,325,271

44. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2007 (Cont'd.)	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000	Transfer to subsidiary, pursuant to Islamic Banking operations RM'000	Total RM'000
Liabilities									
Deposits from customers	110,065,954	28,948,865	2,877,305	184,603	6,568,810	930,518	149,576,055	(15,720,442)	133,855,613
Deposits and placements of banks and other financial institutions	13,779,018	—	808,901	1,339,380	16,424,504	331,217	32,683,020	(1,512,284)	31,170,736
Obligations on securities sold under repurchase agreements	9,832,237	—	—	657,618	—	—	10,489,855	—	10,489,855
Bills and acceptances payable	2,720,327	197,757	83	2	2,214	1,705	2,922,088	(526,874)	2,395,214
Derivative liabilities	57,855	69,163	895	1,337	470,552	45,058	644,860	—	644,860
Other liabilities	642,950	162,016	815,727	81,324	1,928,444	266,512	3,896,973	(916,632)	2,980,341
Recourse obligation on loans sold to Cagamas	2,455,762	—	—	—	—	—	2,455,762	—	2,455,762
Provision for taxation and zakat	690,246	274,608	98	10,984	4,609	196	980,741	—	980,741
Subordinated obligations	4,000,000	—	—	—	2,344,048	—	6,344,048	—	6,344,048
Total Liabilities	144,244,349	29,652,409	4,503,009	2,275,248	27,743,181	1,575,206	209,993,402	(18,676,232)	191,317,170
On-balance sheet open position	(656,781)	(226,512)	(3,695,992)	(663,144)	22,045,937	650,330	17,453,838	(4,445,737)	13,008,101
Off-balance sheet open position	18,891,219	(175,735)	3,236,054	(354,642)	(22,115,023)	518,127	—	—	—
Net open position	18,234,438	(402,247)	(459,938)	(1,017,786)	(69,086)	1,168,457	17,453,838	(4,445,737)	13,008,101
Net structural position included in the above	—	—	50,235	66,475	—	630,808	747,518		

44. FOREIGN EXCHANGE RISK (CONT'D.)

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and the Bank's overseas branches, investments in overseas subsidiaries and long term investments in overseas properties.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

The structural currency exposures of the Group and the Bank as at the balance sheet dates are as follows:

	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Other currency hedges RM'000	Net structural currency exposures RM'000
Group				
Currency of structural exposures				
2008				
Singapore Dollar	**506,136**	**—**	**(506,136)**	**—**
Great Britain Pound	**6,997**	**—**	**—**	**6,997**
Hong Kong Dollar	**21,600**	**—**	**—**	**21,600**
United States Dollar	**757,469**	**(757,469)**	**—**	**—**
Others	**557,920**	**—**	**—**	**557,920**
	1,850,122	**(757,469)**	**(506,136)**	**586,517**
2007				
Singapore Dollar	372,286	—	(372,286)	—
Great Britain Pound	64,096	—	—	64,096
Hong Kong Dollar	102,118	—	—	102,118
United States Dollar	764,316	(764,316)	—	—
Others	506,136	—	—	506,136
	1,808,952	(764,316)	(372,286)	672,350

44. FOREIGN EXCHANGE RISK (CONT'D.)

	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Other currency hedges RM'000	Net structural currency exposures RM'000
Bank				
Currency of structural exposures				
2008				
Singapore Dollar	**506,136**	**—**	**(506,136)**	**—**
Great Britain Pound	**6,997**	**—**	**—**	**6,997**
Hong Kong Dollar	**(19,720)**	**—**	**—**	**(19,720)**
United States Dollar	**(11,727)**	**11,727**	**—**	**—**
Others	**551,503**	**—**	**—**	**551,503**
	1,033,189	**11,727**	**(506,136)**	**538,780**
2007				
Singapore Dollar	372,283	—	(372,283)	—
Great Britain Pound	50,235	—	—	50,235
Hong Kong Dollar	66,475	—	—	66,475
United States Dollar	100,513	(100,513)	—	—
Others	630,808	—	—	630,808
	1,220,314	(100,513)	(372,283)	747,518

45. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

45. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with FRS132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment, provision for current and deferred taxation, life and family takaful fund assets, and life and family takaful fund liabilities. The information on the fair values of financial assets and financial liabilities of the life and family takaful fund is disclosed in Note 51.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2008		2007	
Group	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Securities held-to-maturity	**1,186,227**	**1,190,880**	2,534,392	2,550,535
Loans, advances and financing*	**164,799,665**	**171,885,251**	143,622,051	151,480,328
Financial Liabilities				
Deposits from customers	**187,112,077**	**187,181,197**	163,676,762	164,349,756
Deposits and placements of banks and other financial institutions	**24,554,106**	**24,554,106**	29,534,690	31,085,886
Recourse obligation on loans sold to Cagamas	**1,274,069**	**1,279,396**	2,455,762	2,540,418
Subordinated obligations	**4,975,723**	**4,768,309**	6,344,048	6,424,863
Stapled Capital Securities	**3,497,316**	**3,491,154**	—	—
Bank				
Financial Assets				
Securities held-to-maturity	**672,972**	**685,797**	1,964,064	1,980,932
Loans, advances and financing*	**141,714,237**	**149,187,355**	120,506,856	130,299,228
Financial Liabilities				
Deposits from customers	**156,322,564**	**156,382,594**	133,855,613	133,824,353
Deposits and placements of banks and other financial institutions	**25,847,297**	**25,847,297**	31,170,736	29,521,373
Recourse obligation on loans sold to Cagamas	**1,274,069**	**1,279,396**	2,455,762	2,517,378
Subordinated obligations	**4,975,723**	**4,768,309**	6,344,048	6,424,863
Stapled Capital Securities	**3,497,316**	**3,491,154**	—	—

* The general allowance for the Group and the Bank amounting to RM3,187,611,000 (2007: RM2,757,315,000) and RM2,728,516,000 (2007: RM2,613,274,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

45. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) Cash and Short-term Funds

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) Deposits and Placements with Financial Institutions, Securities Purchased under Resale Agreement, Obligations on Securities Sold under Repurchase Agreement and Bills and Acceptances Payable

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the balance sheet date.

(c) Securities

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the balance sheet date.

(d) Loans, Advances and Financing

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific provision for bad and doubtful debts and financing.

(e) Deposits from Customers, Deposits and Placements of Banks and Other Financial Institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(f) Recourse Obligation on Loans Sold to Cagamas

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at balance sheet date.

45. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(g) Subordinated Obligations

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

(h) Derivative Financial Instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

46. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Approved and contracted for	**122,439**	256,937	**122,439**	208,436
Approved but not contracted for	**77,189**	395,228	**77,189**	352,616
	199,628	652,165	**199,628**	561,052
(b) Uncalled capital in shares of subsidiaries	**—**	—	**280**	280

(c) The Bank is committed to the following proposed acquisition as at financial year end:

		Group and Bank	
	Note	2008 RM'000	2007 RM'000
An Binh Commercial Joint Stock Bank	49 (f)	**430,000**	—
PT Bank Internasional Indonesia Tbk ("BII")	49 (g)	**4,316,200**[1]	—
Additional 5% equity interest in MCB Bank Limited ("MCB")	49 (i)	**703,100**	—

[1] Proposed acquisition of 55.7% equity interest in BII from Sorak Financial Holdings Pte. Ltd. as disclosed in Note 49(g).

47. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

	Group		Bank	
	2008	**2007**	**2008**	**2007**
Without deducting proposed dividend*:				
Core capital ratio:				
Credit risk	**11.81%**	10.99%	**12.78%**	10.66%
Credit and market risks	**10.56%**	10.06%	**11.29%**	9.82%
Risk-weighted capital ratio:				
Credit risk	**16.13%**	16.54%	**14.15%**	15.32%
Credit and market risks	**14.42%**	15.14%	**12.50%**	14.11%
After deducting proposed dividend:				
Core capital ratio:				
Credit risk	**11.43%**	10.30%	**12.32%**	9.91%
Credit and market risks	**10.21%**	9.43%	**10.88%**	9.13%
Risk-weighted capital ratio:				
Credit risk	**15.75%**	15.85%	**13.69%**	14.57%
Credit and market risks	**14.08%**	14.51%	**12.09%**	13.42%

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends for respective financial years were not deducted.

47. CAPITAL ADEQUACY (CONT'D.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tier 1 capital				
Paid-up share capital	**4,881,123**	3,889,225	**4,881,123**	3,889,225
Share premium	**2,097,011**	2,935,570	**2,097,011**	2,935,570
Other reserves	**12,767,200**	12,036,017	**10,528,204**	10,337,119
Stapled Capital Securities	**3,497,316**	—	**3,497,316**	—
Tier 1 minority interest	**362,087**	276,842	**—**	—
Less: Deferred tax assets	**(1,217,490)**	(1,016,730)	**(1,122,138)**	(951,526)
Goodwill	**(81,015)**	(81,015)	**(81,015)**	(81,015)
Total Tier 1 capital	**22,306,232**	18,039,909	**19,800,501**	16,129,373
Tier 2 capital				
Subordinated obligations	**4,975,723**	6,349,060	**4,975,723**	6,349,060
General allowance for bad and doubtful debts and financing	**3,187,611**	2,757,315	**2,728,516**	2,613,274
Total Tier 2 capital	**8,163,334**	9,106,375	**7,704,239**	8,962,334
Total capital	**30,469,566**	27,146,284	**27,504,740**	25,091,707
Less: Investment in subsidiaries #	**—**	—	**(5,583,155)**	(1,923,929)
Capital base	**30,469,566**	27,146,284	**21,921,585**	23,167,778

Excludes the cost of investment in a subsidiary, Myfin Berhad of RM840,000,000, as its business, assets and liabilities have been transferred to the Bank in the previous financial year.

47. CAPITAL ADEQUACY (CONT'D.)

The breakdown of risk-weighted assets (excluding deferred tax assets) in the various categories of risk-weights are as follows:

	2008		2007	
	Principal RM'000	Risk-Weighted RM'000	Principal RM'000	Risk-Weighted RM'000
Group				
0%	**27,952,281**	**—**	31,715,874	—
10%	**386,883**	**38,688**	287,348	28,735
20%	**44,658,818**	**8,931,763**	57,237,544	11,447,509
50%	**31,775,482**	**15,887,741**	28,154,623	14,077,312
100%	**163,971,082**	**163,971,082**	138,476,640	138,476,640
Total risk-weighted assets for credit risk		**188,829,274**		164,030,196
Total risk-weighted assets for market risk		**22,365,596**		15,191,803
Total risk-weighted assets for credit and market risks		**211,194,870**		179,221,999
Bank				
0%	**17,895,887**	**—**	24,702,969	—
10%	**259,589**	**25,959**	212,300	21,230
20%	**36,016,704**	**7,203,341**	45,686,663	9,137,333
50%	**26,728,515**	**13,364,258**	28,073,818	14,036,909
100%	**134,244,381**	**134,244,381**	128,013,147	128,013,147
Total risk-weighted assets for credit risk		**154,837,939**		151,208,619
Total risk-weighted assets for market risk		**20,422,579**		12,893,242
Total risk-weighted assets for credit and market risks		**175,260,518**		164,101,861

48. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segment information, is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Capital expenditure comprises additions to property, plant and equipment.

(a) Primary Segment – By Business Segment

The Group comprises the following main business segments:

(i) Banking

The Banking segment focuses on business of banking in all its aspects which also include IBS operations. Its activities are generally structured into two key areas, Consumer Banking and Business Banking.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, unit trusts, bancassurance products and credit cards.

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(ii) Investment Banking

The Investment Banking segment includes business of a merchant bank, discount house and securities broker. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, and share and futures dealings.

(iii) Insurance and Takaful

The insurance and takaful segment includes the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses.

(iv) Others

The "Others" segment includes asset and fund management, nominee and trustee services and custodian services.

48. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

Group 2008	Banking and Finance RM'000	Investment Banking RM'000	Insurance and Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	**14,876,539**	**454,578**	**784,783**	**38,042**	**—**	**16,153,942**
Dividends from subsidiaries	**10,065**	**3,559**	**183,948**	**1,033**	**(198,605)**	**—**
Other inter-segment revenue	**176,830**	**52,221**	**30,045**	**12,614**	**(271,710)**	**—**
Total inter-segment revenue	**186,895**	**55,780**	**213,993**	**13,647**	**(470,315)**	**—**
Total operating revenue	**15,063,434**	**510,358**	**998,776**	**51,689**	**(470,315)**	**16,153,942**
Segment results – operating profit	**4,898,525**	**131,418**	**515,871**	**28,283**	**(198,954)**	**5,375,143**
Allowance for losses on loans, advances and financing	**(843,354)**	**39,364**	**(115)**	**(302)**	**—**	**(804,407)**
Allowance for non-refundable deposit	**(483,824)**	**—**	**—**	**—**	**—**	**(483,824)**
Share of results of associates	**(416)**	**—**	**—**	**(426)**	**—**	**(842)**
Profit before taxation and zakat	**3,570,931**	**170,782**	**515,756**	**27,555**	**(198,954)**	**4,086,070**
Taxation and zakat	**(892,370)**	**(47,956)**	**(155,022)**	**(9,709)**	**21,327**	**(1,083,730)**
Profit after taxation and zakat	**2,678,561**	**122,826**	**360,734**	**17,846**	**(177,627)**	**3,002,340**
Minority interests						**(74,138)**
Net profit for the year						**2,928,202**
ASSETS AND LIABILITIES						
Segment assets	**255,433,080**	**9,124,230**	**20,503,181**	**4,554,556**	**(22,733,194)**	**266,881,853**
Investment in associates	**33,320**	**—**	**—**	**2,185,527**	**—**	**2,218,847**
Total assets	**255,466,400**	**9,124,230**	**20,503,181**	**6,740,083**	**(22,733,194)**	**269,100,700**
Total segment liabilities	**236,405,562**	**7,812,240**	**16,674,852**	**4,224,649**	**(16,108,365)**	**249,008,938**
OTHER INFORMATION						
Capital expenditure	**195,898**	**3,998**	**5,462**	**93**	**—**	**205,451**
Depreciation	**121,076**	**2,512**	**9,057**	**1,636**	**—**	**134,281**
Amortisation	**45,344**	**1,287**	**2,873**	**190**	**—**	**49,694**
Non-cash expenses/(income) other than depreciation	**351,985**	**16,736**	**(881)**	**(63)**	**—**	**367,777**

48. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

Group 2007	Banking and Finance RM'000	Investment Banking RM'000	Insurance and Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	13,902,381	471,058	761,211	44,662	—	15,179,312
Dividends from subsidiaries	392,774	225,228	169,748	1,021	(788,771)	—
Other inter-segment revenue	193,082	77,725	1,530	773,892	(1,046,229)	—
Total inter-segment revenue	585,856	302,953	171,278	774,913	(1,835,000)	—
Total operating revenue	14,488,237	774,011	932,489	819,575	(1,835,000)	15,179,312
Segment results – operating profit	4,954,452	443,570	457,526	797,583	(1,588,294)	5,064,837
Allowance for losses on loans, advances and financing	(741,727)	47,282	(40)	(21)	—	(694,506)
Share of results of associates	(7,175)	—	—	542	—	(6,633)
Profit before taxation and zakat	4,205,550	490,852	457,486	798,104	(1,588,294)	4,363,698
Taxation and zakat	(1,095,456)	(112,742)	(107,612)	(3,978)	208,961	(1,110,827)
Profit after taxation and zakat	3,110,094	378,110	349,874	794,126	(1,379,333)	3,252,871
Minority interests						(74,499)
Net profit for the year						3,178,372
ASSETS AND LIABILITIES						
Segment assets	239,385,356	10,041,389	19,908,892	3,049,561	(15,761,523)	256,623,675
Investment in associates	40,739	—	—	11,566	(8,704)	43,601
Total assets	239,426,095	10,041,389	19,908,892	3,061,127	(15,770,227)	256,667,276
Total segment liabilities	219,659,303	8,778,938	16,108,436	989,936	(8,737,485)	236,799,128
OTHER INFORMATION						
Capital expenditure	183,595	975	15,194	1,204	—	200,968
Depreciation	132,928	3,879	6,788	1,630	—	145,225
Amortisation	32,024	1,317	3,733	224	—	37,298
Non-cash expenses/(income) other than depreciation	35,525	15,492	2,129	(9,678)	—	43,468

48. SEGMENT INFORMATION (CONT'D.)

(b) Secondary Segment – By Geographical Locations

In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical locations of assets.

The Group has operations in Malaysia, Singapore, Indonesia, Philippines, Papua New Guinea, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia and Bahrain.

With the exception of Malaysia and Singapore, no other individual country contributed more than 5% of the consolidated revenue before operating expenses and of total assets.

	External Revenue RM'000	Capital Expenditure RM'000	Segment Assets RM'000	Profit before Taxation and Zakat RM'000
2008				
Malaysia	**13,147,416**	**164,372**	**221,821,839**	**3,593,692**
Singapore	**2,200,909**	**33,883**	**47,059,587**	**530,908**
Others	**1,275,932**	**7,196**	**22,952,468**	**160,424**
	16,624,257	**205,451**	**291,833,894**	**4,285,024**
Elimination	**(470,315)**	**—**	**(22,733,194)**	**(198,954)**
Group	**16,153,942**	**205,451**	**269,100,700**	**4,086,070**
2007				
Malaysia	13,711,517	183,139	209,086,242	5,313,688
Singapore	1,872,772	12,039	39,178,558	368,625
Others	1,430,023	5,790	24,172,703	269,679
	17,014,312	200,968	272,437,503	5,951,992
Elimination	(1,835,000)	—	(15,770,227)	(1,588,294)
Group	15,179,312	200,968	256,667,276	4,363,698

49. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Establishment of an Islamic Banking Subsidiary – Maybank Islamic Berhad

Bank Negara Malaysia ("BNM") had given its approval on 21 July 2007 for the Bank to establish a subsidiary under the name "Maybank Islamic Berhad" ("MIB") to undertake the Islamic banking business and the setting up of an International Currency Business Unit within MIB.

On 16 November 2007, the Bank had entered into a business acquisition agreement with MIB to transfer its Islamic banking business in Malaysia to MIB for a total consideration to be determined later ("Business Acquisition Agreement"). In accordance with the order from High Court of Malaya (which was obtained on 12 December 2007) and the terms and conditions of the Business Acquisition Agreement, the aforesaid transfer has been completed on 1 January 2008. The total net assets transferred to MIB from the Bank on 1 January 2008 amounted to RM1,477,807,000.

The Minister of Finance has granted a licence to MIB on 28 December 2007, pursuant to Section 3(4) of the Islamic Banking Act 1983, for MIB to commence and transact Islamic banking business with effect from 1 January 2008.

MIB has commenced operations on 1 January 2008. The effects of the establishment of MIB is disclosed in Note 50(y).

(b) Rationalisation of Insurance and Takaful Business

Mayban Fortis Holdings Berhad ("MFHB") undertook a restructuring exercise to streamline the entire insurance and takaful business within its group of companies following the completion of acquisition of the entire equity of MNI Holdings Berhad ("MNIH") by MFHB in May 2006. The restructuring entailed the following:-

(i) Dissolution of MNI Life International (L) Ltd ("MNILIL")

On 10 April 2007, MNILIL commenced a members' voluntary winding-up pursuant to a special resolution under Section 131(1) of the Offshore Companies Act, 1990 and Section 254(1)(b) of the Companies Act, 1960. The dissolution of MNILIL was completed on 17 September 2007.

(ii) Transfer of Etiqa Takaful Berhad (formerly known as Takaful Nasional Berhad) ("TN") and MNI Offshore Insurance (L) Ltd ("MNIOIL") to MFHB via a Dividend in Specie

On 30 August 2007, MNIB declared dividend amounting to RM107,882,500 to MFHB which was satisfied by shares held by MNIB in TN and MNIOIL, at values equal to the original investment costs of MNIB in TNSB and MNIOIL. Therefore, TN and MNIOIL became wholly-owned direct subsidiaries of MFHB.

(iii) Acquisition of Fortis Insurance International N.V.'s shareholdings in Mayban General Assurance Berhad ("MGAB") and Mayban Life Assurance Berhad ("MLAB")

Subsequent to the Share Sale Agreement with Fortis Insurance International N.V. ("Fortis") on 8 August 2007, MFHB acquired the shares held by Fortis in MGAB and MLAB for a purchase consideration equivalent to RM31,622,063 comprising:

- 3,948,649 ordinary shares of RM1.00 each in MGAB representing approximately 2.22% of the issued and paid up capital of MGAB; and
- 3,430,000 ordinary shares of RM1.00 each in MLAB representing approximately 3.43% of the issued and paid up capital of MLAB.

The purchase consideration of RM31,622,063 was satisfied by the issuance of 3,256,906 new ordinary shares in MFHB on 28 September 2007.

49. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(b) Rationalisation of Insurance and Takaful Business (Cont'd.)

(iv) Transfer of Takaful Funds from Mayban Takaful Berhad ("MTB") to Etiqa Takaful Berhad (formerly known as Takaful Nasional Berhad ("TN"))

MFHB will also consolidate its Takaful business as part of the internal restructuring exercise. MTB will transfer its Takaful Funds under a scheme pursuant to Section 51 of the Takaful Act, 1984 at a purchase consideration equivalent to the net tangible assets of the Takaful Funds as at the date of transfer based on the valuation carried out by the appointed actuary. The execution of the Scheme of transfer of the Takaful business was approved by BNM on 13 September 2007. The effective date for transfer of MTB into TN was on 1 December 2007.

(v) Capital Injection from Employee Provident Fund ("EPF")

Upon completion of event (iv) above, MFHB will enter into a Subscription Agreement with EPF for the subscription of 12,576,076 Non-Redeemable Preference Shares ("NRPS") of RM1.00 each in MFHB by EPF for a total issue price of RM116 million. The transaction was completed on 3 January 2008.

(c) Bonus Issue

On 20 February 2008, Maybank issued 976,057,505 new ordinary shares of RM1.00 each to the shareholders of the Bank whose names appear in the Record of Depositors as at the close of business at 5.00 p.m. on 20 February 2008 pursuant to the Bonus Issue of 1 new ordinary share for every 4 ordinary shares held as disclosed in Note 26.

The Bonus Shares have been listed and quoted on the Main Board of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on 21 February 2008. The Bank has also issued and dispatched notices of allotment to the entitled shareholders on 27 February 2008.

(d) Memorandum of Understanding ("MOU") between Maybank and PT Panin Life Tbk ("Panin")

Maybank entered into a MOU with Panin on 30 March 2007 to commence discussion on a possible joint venture partnership via a 60% stake in PT Anugrah Life Insurance, a subsidiary of Panin.

On 6 November 2007, the Ministry of Finance of the Republic of Indonesia ("MOFI") informed Panin that the MOFI was unable at this stage to proceed to consider the application for approval on the above proposed acquisition due to the limitations of Article 43(2) of the MOF Regulation No. 426/MKM.06/2003 which requires a foreign company to maintain a majority of its portfolio in insurance business should it wish to become a shareholder of a local insurance company.

The Board of Directors of Maybank and Mayban Fortis Holdings Berhad and its joint venture partner, Fortis, have agreed that Maybank's insurance and takaful holding company, Mayban Fortis Holdings Berhad ("Mayban Fortis") will replace Maybank to pursue the proposed acquisition of PT Anugrah Life Insurance ("Anugrah").

Mayban Fortis had on 26 March 2008 obtained approval from Bank Negara Malaysia for the proposed acquisition which is one of the prerequisites in the submissions to the Indonesian authorities.

Anugrah has informed that the MOFI had vide its letter dated 8 May 2008, approved the application of Anugrah to change its ownership with Mayban Fortis acquiring 60% from Panin.

The abovementioned approval obtained from MOFI had lapsed on 4 August 2008.

49. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(e) Sale of Non-Performing Loans ("NPL")

On 8 January 2008, the Bank announced that it has entered into a conditional Sale and Purchase Agreement ("SPA") with Standard Chartered Bank (Hong Kong) Limited Alternative Investments and ORIX Leasing Malaysia Berhad for disposal of long-standing secured consumer non-performing loans.

The portfolio comprises long outstanding consumer loans with a total face value of about RM1.4 billion. The loans are mainly secured by residential properties located across Malaysia.

The approval for the sale was obtained from Bank Negara Malaysia on 21 February 2008. On 17 April 2008, the Vesting Order was obtained from the High Court to transfer the loan accounts sold to the buyer. The gain on disposal was RM139.3 million as disclosed in Note 35.

(f) Proposed Acquisition of Approximately 15% of the Total Charter Capital of Vietnam's An Binh Commercial Joint Stock Bank ("ABBank")

On 21 March 2008, the Bank announced that it has entered into an agreement with ABBank for the subscription by Maybank of approximately 15% of the total charter capital of ABBank for a total cash consideration of approximately Vietnam Dong ("VND") 2.1 trillion or the equivalent of approximately RM430 million, on or before 31 December 2008. The Bank may also take up an additional 5% equity in the near future, pending approval by the Vietnam government. Current regulations in Vietnam allow foreign banks to own up to 15% equity in a Vietnamese bank with the possibility of increasing the stake to 20% subject to approval by the government.

On the same date, the Bank has also entered into a strategic cooperation and knowledge transfer agreement with ABBank to provide technical assistance in consumer banking, network, treasury, business banking, risk management, human resource, information technology and corporate governance. ABBank will provide the Bank with infrastructure, facilities, logistics, support and resources in Vietnam.

Upon completion of the agreement, the Bank will emerge as a major shareholder of ABBank. The Electricity of Vietnam Group is ABBank's largest shareholder with a 28.3% equity in ABBank. The other major shareholder is The Hanoi Export-Import JSC (Geleximco), which holds 7.2% equity interest in ABBank.

The proposed acquisition is subject to the approval of:-

Bank Negara Malaysia;

State Bank of Vietnam; and

the shareholders of ABBank which had been obtained. The parties are currently working towards completion of the proposed acquisition.

The proposed acquisition is subject to the approval of Bank Negara Malaysia, State Bank of Vietnam and the shareholders of ABBank which had been obtained. The parties are currently working towards completion of the proposed acquisition.

49. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(g) Proposed Acquisition of up to 100% of the Issued and Paid-up Share Capital of Sorak Financial Holdings Pte. Ltd. ("Sorak") for a Total Cash Consideration of Approximately Indonesian Rupiah ("Rp") 13.9 Trillion (or the Equivalent of Approximately RM4.8 Billion)

On 26 March 2008, the Bank announced that it has entered into a Share Sale Agreement ("SSA") to acquire up to 100% of Sorak Financial Holdings Pte. Ltd. ("Sorak") for a cash consideration of approximately Rp13.9 trillion or the equivalent of approximately RM4.8 billion paving the way for the Bank to be a controlling shareholder of PT Bank Internasional Indonesia Tbk ("BII").

Sorak is 75%-owned by Fullerton Financial Holdings Pte. Ltd. ("FFH"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited and 25%-owned by Kookmin Bank ("KB"). Sorak owns approximately 55.7% equity interest in BII.

As a result of this transaction, and in accordance with the terms of the Share Sales Agreement, the Bank will be required to make a tender offer for the remaining 44.3% shares held by remaining shareholders of BII. The total amount involved for the tender offer is approximately Rp11.0 trillion or the equivalent of approximately RM3.8 billion, bringing the total value of the potential acquisition to about Rp24.9 trillion or the equivalent of approximately RM8.6 billion.

The completion is conditional upon approvals as stipulated below being obtained:

(i) Bank Negara Malaysia (which was obtained vide its letter dated 25 March 2008);

(ii) the shareholders of the Bank at an extraordinary general meeting (resolution was approved on 15 May 2008); and

(iii) other relevant authorities as may be necessary from any governmental or regulatory body having jurisdiction over the entry into and completion of the SSA.

In addition, the completion is also conditional upon the following conditions precedent being fulfilled or duly waived:

(i) the Bank having to pass the fit and proper test as stipulated by Bank Indonesia;

(ii) all consents, approvals and actions of, filings with and notices, as may be necessary from any governmental or regulatory body or relevant competent authority having jurisdiction over the entry into and completion of the SSA, whether in or outside Indonesia, being granted or obtained and being in full force as at the completion date; and

(iii) no breach of the warranties as provided by FFH, KB and the Bank having occurred and the said warranties remaining true and correct as at the completion date.

On 21 July 2008, Bank Indonesia had approved the following:

(i) the Bank as the ultimate shareholder of BII in relation to the Proposed Acquisition; and

(ii) Mayban Offshore Corporate Services (Labuan) Sdn Bhd ("Mayban Offshore") as controlling shareholder of BII in relation to the Tender Offer by Maybank through Mayban Offshore, in the event that Mayban Offshore is able to acquire 25% or more of the equity interest in BII owned by the public.

49. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(g) Proposed Acquisition of up to 100% of the Issued and Paid-up Share Capital of Sorak Financial Holdings Pte. Ltd. ("Sorak") for a Total Cash Consideration of Approximately Indonesian Rupiah ("Rp") 13.9 Trillion (or the Equivalent of Approximately RM4.8 Billion) (Cont'd.)

On 29 July 2008, the Bank received a letter from Bank Negara Malaysia ("BNM") wherein BNM noted that as a result of the recent changes of the new regulation on Take-Over Rule IX H1 by Badan Pengawas Pasar Modal and Lembaga Keuangan ("Bapepam"), Department Keuangan, Republik Indonesia (which was enacted on 30 June 2008) ("New Take-Over Rule"), the Proposal may result in the Bank potentially incurring material losses from selling down of the shares and write-down of investment upon the implementation of the New Take-Over Rule.

In this regard, BNM informed that its approval given under Section 29 of the Banking and Financial Institutions Act 1989 for the Proposed Acquisition via its letter dated 25 March 2008, has been revoked.

Whilst the Bank is still in discussion with all relevant parties on the way forward in relation to the Proposed Acquisition, the Bank has made an allowance on the deposit paid amounting to approximately RM483.8 million on a prudent basis arising from the revocation of approval by Bank Negara Malaysia on the Proposed Acquisition.

In relation to the acquisition, the Bank had also acquired Singapore Dollars amounting to SGD1.88 billion as a cash flow hedge for the Proposed Acquisition. Consequent to the allowance made on the deposit of RM483.8 million as stated above, the Bank had accordingly recognised the unrealised gain on foreign exchange of approximately RM193.4 million in the income statement.

(h) Disposal of Mayban Investment Management Sdn Bhd ("MIM") to Mayban Fortis Holdings Berhad

The Bank and its subsidiary Aseambankers Malaysia Berhad ("Aseambankers") had on 27 March 2008 completed the disposal of MIM to Mayban Fortis Holdings Berhad, also a subsidiary of the Bank. The transaction comprised the sale of 5,000,000 ordinary shares in MIM, representing 100% of the issued and paid-up capital of MIM for a total cash consideration of RM23 million.

The Bank and Aseambankers held 61.525% and 38.475% shareholdings in MIM respectively.

(i) Completed Acquisition of up to 20% of the Issued and Paid-Up Share Capital of Pakistan's MCB Bank Limited ("MCB")

On 3 May 2008, the Bank via its wholly-owned subsidiary, Mayban International Trust (Labuan) Berhad ("MITB") entered into five (5) separate Share Sales Agreements ("SPAs") with each of the respective party(ies):

(i) Mian Umer Mansha, Mian Hasan Mansha, Muhammad Saleem (collectively known to as the "Individual Sellers");

(ii) Muslim Commercial Bank Limited Employees' Pension Fund;

(iii) The Muslim Commercial Bank Limited Provident Fund;

(iv) Nishat Mills Limited Employees Provident Fund Trust; and

(v) Adamjee Insurance Company Limited,

for the acquisition of 94,241,527 ordinary shares of par value PKR10 each in MCB representing 15% of the issued and paid-up share capital of MCB for a cash price of PKR470 per MCB Share or a total cash consideration of approximately PKR44.290 billion or the equivalent of approximately RM2.170 billion.

Upon completion of the SPAs, the Bank will emerge as a major shareholder of MCB.

49. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(i) Completed Acquisition of up to 20% of the Issued and Paid-Up Share Capital of Pakistan's MCB Bank Limited ("MCB") (Cont'd.)

On the same date, the Bank also entered into the following:

(i) an Agreement for the Right to Sell and Purchase Shares with the Individual Sellers wherein its terms and conditions will cause the Bank to acquire additional ordinary shares of par value PKR10 each in MCB of up to 5% of the issued and paid-up share capital of MCB; and

(ii) a Shareholders' Agreement with certain shareholders of MCB (the "Nishat Group") to reflect the long term relationship and strategic cooperation between Maybank and the Nishat Group.

On 25 June 2008, the Bank completed the acquisition of 15% of the issued and paid-up capital of MCB as disclosed in Note 15(c).

On 8 August 2008, MITB completed the acquisition of additional 5% of the issued and paid-up share capital of MCB for a cash price of PKR492.4 per MCB share or a total cash consideration of approximately PKR15.468 billion or the equivalent amount of approximately RM703.1 million.

(j) Bank and the Islamic Corporation for the Development of the Private Sector ("ICD") sign Memorandum of Understanding ("MOU") in relation to Global Takaful Business

On 7 May 2008, the Bank and ICD signed a MOU to jointly explore the feasibility of establishing an international takaful holding company with the vision to create a global leader in the takaful business. ICD is the commercial arm of the Islamic Development Bank.

Under the MOU, the proposed holding company to be set up aims to explore opportunities with the aim of creating takaful companies in both ICD member and non-member countries. The plan is for the proposed holding company to commence operations by end 2008.

(k) Family Takaful Business Joint Venture in Pakistan

On 23 June 2008, the Bank received approval from Bank Negara Malaysia to establish or acquire a subsidiary to be used as a Special Purpose Vehicle ("SPV") for the purpose of acquiring 30% of the issued and paid-up capital of Pak-Kuwait Takaful Company Limited.

The Bank had on 8 July 2008 acquired Pelangi Amanmaz Sdn Bhd ("PASB") as a subsidiary to be used as the SPV for the joint venture. PASB has an authorised capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issue and paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

Through the acquisition, the Bank intends to venture into the Family Takaful business in Pakistan. Pak-Kuwait Family Takaful Company Limited is a newly incorporated company and it is the process of applying for license from the authorities in Pakistan to operate the Family Takaful business. It is a joint venture between Pak-Kuwait Investment Company Private Limited, Allied Bank Limited and Saudi Pak Industrial and Agriculture Investment Company Limited. The issue and paid-up capital of the company is Pakistan Rupees 500 million.

All parties are currently negotiating and finalising the terms of the joint venture.

49. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(l) Stapled Capital Securities

On 27 June 2008, the Group issued RM3,500 million in nominal value comprising:

(a) Non-Cumulative Perpetual Capital Securities, which are issued by the Bank and stapled to

(b) Subordinated Notes, which are issued by Cekap Mentari Berhad, a wholly-owned subsidiary of the Bank

("Collectively known as Stapled Capital Securities")

The details are disclosed in Note 25.

(m) Proposed Issuance of, Offer for Subscription or Purchase of, or Invitation to Subscribe for, or Purchase of Innovative Tier 1 Capital Securities ("IT1CS") Programme of up to RM4.0 Billion and/or its Foreign Currency Equivalent in Nominal Value ("IT1CS Programme") by Maybank

The IT1CS has been structured to comply with Bank Negara Malaysia's ("BNM") Guidelines on Innovative Tier 1 capital instruments.

The IT1CS will be issued in the form of capital securities via an IT1CS Programme. The IT1CS Programme would have a sixty five (65)-year tenure from the date of the first issuance.

Maybank shall have the option to redeem, in whole and not in part, any IT1CS issued on the First Optional Redemption Date of each IT1CS issued, which is a date falling no less than 10 years or no more than 15 years from the respective IT1CS date of first issuance, and every interest payment date thereafter, subject to prior approval of BNM.

The proceeds of the IT1CS Programme shall be used for Maybank's working capital, general banking and other corporate purposes.

Maybank has obtained approvals from BNM and the Securities Commission vide their letters dated 28 May 2008 and 4 June 2008 respectively to issue the IT1CS Programme.

On 11 August 2008, the Bank issued SGD600 million IT1CS. The IT1CS has a principal stock settlement mechanism to redeem the IT1CS on the 60th year from the date of issuance. The Bank, however, has the option to redeem the IT1CS on the 10th anniversary of the issue date and on any interest payment date thereafter. On the 10th anniversary of the issue date, there will be a step-up in the interest rate.

49. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(n) Proposed Issuance of Tier 2 Subordinate Bonds of up to USD1.0 Billion and/or its Equivalent in Other Foreign Currencies in Nominal Value (the "Subordinated Bonds")

The Subordinated Bonds will constitute direct and unsecured obligations of the Bank, subordinated in right and priority of payment to all deposit liabilities and other liabilities except present and future unsecured and subordinated obligations which by their terms rank pari-passu in right of payment with or which are subordinated to the Subordinated Bonds.

The Subordinated Bonds issuance has been approved by Bank Negara Malaysia on 27 June 2008 to qualify as Tier 2 capital for purposes of Malaysian capital adequacy regulation.

The Subordinated Bonds issuance has also been approved by the Securities Commission on 9 July 2008.

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

BALANCE SHEETS AS AT 30 JUNE 2008[1]

		Group		Bank	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
Cash and short-term funds	(a)	**3,193,457**	1,913,875	**—**	1,633,560
Deposits and placements with banks and other financial institutions	(b)	**1,261**	73,536	**—**	73,536
Securities portfolio	(c)	**2,877,245**	3,735,886	**—**	3,489,141
Loans and financing	(d)	**21,057,888**	17,945,079	**—**	17,935,458
Deferred tax assets	(e)	**27,482**	192,303	**—**	192,473
Derivative assets	(i)	**45,185**	—	**—**	—
Other assets		**199,564**	91,696	**—**	77,499
Statutory deposits with Bank Negara Malaysia	(f)	**775,000**	501,000	**—**	501,000
		28,177,082	24,453,375	**—**	23,902,667
LIABILITIES					
Deposits from customers	(g)	**19,803,980**	16,252,045	**—**	15,806,576
Deposits and placements of banks and other financial institutions	(h)	**5,589,635**	2,278,022	**—**	2,278,022
Bills and acceptances payable		**390,110**	526,874	**—**	526,874
Derivatives liabilities	(i)	**45,200**	—	**—**	—
Other liabilities	(j)	**477,604**	694,934	**—**	646,779
Provision for taxation and zakat	(l)	**49,080**	237,754	**—**	236,531
Subordinated obligations	(m)	**—**	2,500,000	**—**	2,500,000
		26,355,609	22,489,629	**—**	21,994,782

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

BALANCE SHEETS AS AT 30 JUNE 2008[1] (CONT'D.)

	Note	Group 2008 RM'000	Group 2007 RM'000	Bank 2008[1] RM'000	Bank 2007 RM'000
ISLAMIC BANKING CAPITAL FUNDS					
Islamic banking funds		**111,980**	521,003	**—**	516,002
Reserves		**1,709,493**	1,442,743	**—**	1,391,883
		1,821,473	1,963,746	**—**	1,907,885
		28,177,082	24,453,375	**—**	23,902,667
COMMITMENTS AND CONTINGENCIES	(t)	**8,728,220**	9,573,057	**—**	9,573,057

[1] The assets and liabilities of the Islamic Banking Business of Maybank in Malaysia have been effected and vested to Maybank Islamic Berhad, a wholly-owned subsidiary, on 1 January 2008.

The accompanying notes form an integral part of the financial statements.

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		Group		Bank	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income derived from investment of depositors' funds	(n)	**1,435,265**	1,367,876	**706,273**	1,344,474
Expenses directly attributable to depositors and Islamic Banking Funds		**(146,903)**	(48,759)	**(33,852)**	(48,705)
Transfer from profit equalisation reserve		**(1,570)**	79,817	**(10,225)**	80,060
Gross attributable income		**1,286,792**	1,398,934	**662,196**	1,375,829
Allowances for losses on financing, advances and other loans	(o)	**(222,132)**	(261,960)	**(108,897)**	(262,212)
Total attributable income		**1,064,660**	1,136,974	**553,299**	1,113,617
Income attributable to the depositors	(p)	**(485,091)**	(516,558)	**(249,977)**	(505,232)
Income attributable to the Group/Bank		**579,569**	620,416	**303,322**	608,385
Income derived from investment of Islamic Banking Funds:					
Gross investment income	(q)	**104,487**	73,281	**45,337**	73,277
Finance cost		**(39,569)**	(98,090)	**(39,569)**	(98,090)
Net (expense)/income investment of Islamic Banking Funds		**64,918**	(24,809)	**5,768**	(24,813)
		644,487	595,607	**309,090**	583,572
Overhead expenses	(r)	**(371,273)**	(319,366)	**(202,276)**	(318,924)
Profit before taxation and zakat		**273,214**	276,241	**106,814**	264,648
Taxation	(s)	**(70,832)**	(82,293)	**(32,200)**	(80,290)
Zakat		**(3,592)**	(3,610)	**(1,495)**	(3,566)
Profit for the year		**198,790**	190,338	**73,119**	180,792

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D.)

For consolidation and amalgamation with the conventional operations, net income from Islamic Banking Scheme comprises the following items:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross attributable income	**1,286,792**	1,398,934	**662,196**	1,375,829
Net (expense)/income from investment of Islamic Banking Funds	**64,918**	(24,809)	**5,768**	(24,813)
Total income before allowances for loan loss and overhead expenses	**1,351,710**	1,374,125	**667,964**	1,351,016
Income attributable to the depositors	**(485,091)**	(516,558)	**(249,977)**	(505,232)
	866,619	857,567	**417,987**	845,784
Net of Intercompany Income and Expenses	**97,987**	—	**—**	—
Income from Islamic Banking Scheme operations reported in the Group-wide/Bank-wide income statement	**964,606**	857,567	**417,987**	845,784

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 30 JUNE 2008

Group	<---------- Non-distributable ---------->					
	Islamic Banking Fund RM'000	Statutory Reserves RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 July 2006	599,880	11,702	(26,167)	(1,118)	1,317,687	1,901,984
Currency translation differences	—	—	—	(1,817)	—	(1,817)
Unrealised net loss on revaluation of securities available-for-sale	—	—	43,110	—	—	43,110
Net loss not recognised in the income statement	—	—	43,110	(1,817)	—	41,293
Net profit for the year	—	—	—	—	190,338	190,338
Transfer to Head Office	(78,877)	—	—	—	(90,992)	(169,869)
Transfer to statutory reserves	—	(11,702)	—	—	11,702	—
At 30 June 2007	521,003	—	16,943	(2,935)	1,428,735	1,963,746

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

STATEMENT OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D.)

Group (Cont'd.)	<---------- Non-distributable ---------->						
	Islamic Banking Fund RM'000	Share Premium RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Statutory Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 July 2007	**521,003**	**—**	**16,943**	**(2,935)**	**—**	**1,428,735**	**1,963,746**
Currency translation differences	**—**	**—**	**—**	**2,713**	**—**	**—**	**2,713**
Unrealised net loss on revaluation of securities available-for-sale	**—**	**—**	**(52,896)**	**—**	**—**	**—**	**(52,896)**
Net loss not recognised in the income statement	**—**	**—**	**(52,896)**	**2,713**	**—**	**—**	**(50,183)**
Net profit for the year	**—**	**—**	**—**	**—**	**—**	**198,790**	**198,790**
Issue of ordinary shares pursuant to establishment of MIB (Note 50(y))	**100,000**	**1,500,000**	**—**	**—**	**—**	**—**	**1,600,000**
Transfer to Head Office	**(509,023)**	**—**	**—**	**—**	**—**	**(1,381,857)**	**(1,890,880)**
Transfer to statutory reserves	**—**	**—**	**—**	**—**	**57,983**	**(57,983)**	**—**
At 30 June 2008	**111,980**	**1,500,000**	**(35,953)**	**(222)**	**57,983**	**187,685**	**1,821,473**

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

STATEMENT OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D.)

Bank	<---------- Non-distributable ---------->				
	Islamic Banking Fund RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 July 2006	516,002	(27,203)	37	1,195,628	1,684,464
Currency translation differences	—	—	(27)	—	(27)
Unrealised net loss on revaluation of securities available-for-sale	—	42,656	—	—	42,656
Net loss not recognised in the income statement	—	42,656	(27)	—	42,629
Net profit for the year	—	—	—	180,792	180,792
At 30 June 2007	516,002	15,453	10	1,376,420	1,907,885
At 1 July 2007	**516,002**	**15,453**	**10**	**1,376,420**	**1,907,885**
Currency translation differences	**—**	**—**	**(147)**	**—**	**(147)**
Unrealised net loss on revaluation of securities available-for-sale	**—**	**(22,424)**	**—**	**—**	**(22,424)**
Net loss not recognised in the income statement	**—**	**(22,424)**	**(147)**	**—**	**(22,571)**
Net profit for the period	**—**	**—**	**—**	**73,119**	**73,119**
Transfer to Head Office	**(516,002)**	**6,971**	**137**	**(1,449,539)**	**(1,958,433)**
At 30 June 2008	**—**	**—**	**—**	**—**	**—**

The accompanying notes form an integral part of the financial statements.

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	**273,214**	276,241	**106,814**	264,648
Adjustments for:				
Loan and financing loss and provisions	**238,571**	278,440	**118,874**	278,692
Accretion of discounts less amortisation of premiums of investment securities, net	**(28,708)**	(33,852)	**(14,631)**	(33,729)
Gains on disposal of securities available-for-sale	**—**	(2,872)	**—**	(2,200)
Loss on exchange fluctuation reserve	**2,713**	—	**—**	—
Profit equalisation reserves	**(1,570)**	(79,817)	**(10,225)**	(80,060)
Operating profit before working capital changes	**484,220**	438,140	**200,832**	427,351
Change in deposits and placements with banks and other financial institutions	**72,275**	266,533	**73,536**	266,533
Change in loans and financing	**(3,351,380)**	(1,546,165)	**17,816,584**	(1,536,796)
Change in derivative assets	**(45,185)**	—	**—**	—
Change in other assets	**(107,868)**	(69,253)	**77,499**	15,844
Change in statutory reserve	**(274,000)**	(80,000)	**501,000**	(80,000)
Change in deposits from customers	**3,551,935**	2,658,387	**(15,806,576)**	2,439,875
Change in deposits and placements of banks and other financial institutions	**3,311,613**	754,800	**(2,278,022)**	800,225
Change in bills and acceptances payable	**(136,764)**	(1,686,470)	**(526,874)**	(1,686,470)
Net disposal/(purchase) of securities portfolio	**834,453**	(1,040,239)	**3,488,309**	(1,063,914)
Change in derivatives liabilities	**45,200**	—	**—**	—
Change in other liabilities	**(215,760)**	(958,040)	**(636,555)**	(986,358)
Cash used in operations	**4,168,739**	(1,262,307)	**2,909,733**	(1,403,710)
Taxes and zakat paid	**(98,277)**	(19,820)	**(77,752)**	(18,710)
Net cash generated from/(used in) operating activities	**4,070,462**	(1,282,127)	**2,831,981**	(1,422,420)
CASH FLOWS FROM FINANCING ACTIVITY				
Funds transferred to Head Office	**(1,890,880)**	(78,877)	**(1,965,541)**	—
Proceeds from issuance of shares	**1,600,000**	—	**—**	—
Transfer of subordinated bonds to Head Office	**(2,500,000)**	—	**(2,500,000)**	—
Net cash used in financing activity	**(2,790,880)**	(78,877)	**(4,465,541)**	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,279,582**	(1,361,004)	**(1,633,560)**	(1,422,420)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,913,875**	3,274,879	**1,633,560**	3,055,980
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,193,457**	1,913,875	**—**	1,633,560
Cash and cash equivalents comprise:				
Cash and short-term funds	**3,193,457**	1,913,875	**—**	1,633,560

The accompanying notes form an integral part of the financial statements.

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(a) CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash, balances and deposits with banks and other financial institutions	**3,193,457**	1,913,875	**—**	1,633,560

(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Licensed banks	**—**	72,416	**—**	72,416
Bank Negara Malaysia	**1,261**	1,120	**—**	1,120
	1,261	73,536	**—**	73,536

(c) SECURITIES PORTFOLIO

	Note	Group		Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Securities available-for-sale	(i)	**2,877,245**	3,735,886	**—**	3,489,141

(i) Securities Available-for-Sale

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value				
Money Market Instruments:-				
Cagamas bonds	**37,564**	52,985	**—**	52,985
Malaysian Government Investment Issues	**1,250,474**	1,339,827	**—**	1,299,480
Negotiable instruments of deposits	**138,551**	1,016,010	**—**	1,016,010
Bankers' acceptances and Islamic accepted bills	**676,784**	571,909	**—**	571,909
Khazanah bonds	**347,275**	375,375	**—**	370,801
	2,450,648	3,356,106	**—**	3,311,185

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(c) SECURITIES PORTFOLIO (CONT'D.)

(i) Securities Available-for-Sale (Cont'd.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted Securities:-				
Private and Islamic Debt Securities in Malaysia	**358,736**	—	**—**	—
Foreign Islamic debt securities	**67,861**	379,780	**—**	177,956
	426,597	379,780	**—**	177,956
Total securities available-for-sale	**2,877,245**	3,735,886	**—**	3,489,141

The maturity structure of money market instruments are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Maturing within one year	**839,051**	1,684,407	**—**	1,684,408
One year to three years	**1,183,582**	985,346	**—**	980,772
Three years to five years	**97,030**	325,713	**—**	285,365
After five years	**330,985**	360,640	**—**	360,640
	2,450,648	3,356,106	**—**	3,311,185

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Overdrafts	**1,997,952**	1,677,671	**—**	1,677,671
Term financing				
– House financing	**4,671,245**	4,914,912	**—**	4,914,912
– Syndicated financing	**159,073**	304,483	**—**	294,119
– Hire purchase receivables	**8,670,953**	5,445,996	**—**	5,445,996
– Other term financing	**10,498,294**	10,542,596	**—**	10,542,596
Bills receivables	**71,263**	222,021	**—**	222,021
Trust receipts	**152,488**	146,359	**—**	146,359
Claims on customers under acceptance credits	**4,064,557**	4,030,226	**—**	4,030,226
Staff financing	**201,894**	186,633	**—**	186,633
	30,487,719	27,470,897	**—**	27,460,533
Unearned income	**(8,546,218)**	(8,325,050)	**—**	(8,325,050)
Gross loans and financing	**21,941,501**	19,145,847	**—**	19,135,483
Allowance for bad and doubtful debts and financing				
– Specific	**(549,632)**	(536,572)	**—**	(536,572)
– General	**(333,981)**	(664,196)	**—**	(663,453)
Net loans and financing	**21,057,888**	17,945,079	**—**	17,935,458

(i) Loans and financing analysed by concepts are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Bai' Bithaman Ajil	**8,233,948**	9,317,842	**—**	9,307,478
Ijarah	**7,202,573**	5,445,986	**—**	5,445,986
Murabahah	**2,154,161**	4,345,429	**—**	4,345,429
Other principles	**4,350,819**	36,590	**—**	36,590
Gross loans and financing	**21,941,501**	19,145,847	**—**	19,135,483

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(ii) Loans and financing analysed by type of customers are as follows:

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Domestic non-banking institutions	**1,521,954**	1,365,259	**—**	1,365,259
Domestic business enterprises				
– Small and medium enterprises	**4,813,257**	3,795,692	**—**	3,795,692
– Others	**2,879,563**	3,198,446	**—**	3,198,446
Government and statutory bodies	**111,513**	109,039	**—**	109,039
Individuals	**12,425,815**	10,352,500	**—**	10,352,500
Other domestic entities	**2,146**	3,722	**—**	3,722
Foreign entities	**187,253**	321,189	**—**	310,825
Gross loans and financing	**21,941,501**	19,145,847	**—**	19,135,483

(iii) Loans and financing analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Fixed rate				
– Housing financing	**3,928,565**	4,658,607	**—**	4,658,607
– Hire purchase receivables	**7,211,478**	4,456,273	**—**	4,456,273
– Other financing	**3,135,334**	3,177,508	**—**	3,177,508
Variable rate				
– Housing financing	**668,427**	326,852	**—**	326,852
– Other financing	**6,997,697**	6,526,607	**—**	6,516,243
Gross loans and financing	**21,941,501**	19,145,847	**—**	19,135,483

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(iv) Loans and financing analysed by their economic purposes are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Purchase of securities	**52,142**	69,149	**—**	69,149
Purchase of transport vehicles	**7,938,930**	5,087,175	**—**	5,087,175
Less: Islamic loan sold to Cagamas	**(611,346)**	(787,228)	**—**	(787,228)
Purchase of landed properties:				
– Residential	**5,474,098**	5,909,139	**—**	5,909,139
– Non-residential	**615,952**	604,433	**—**	604,433
Less: Islamic loans sold to Cagamas	**(362,256)**	(408,915)	**—**	(408,915)
Personal Use	**344,056**	360,899	**—**	360,899
Consumer Durables	**111**	271	**—**	271
Construction	**865,113**	828,228	**—**	828,228
Working Capital	**7,517,952**	7,139,114	**—**	7,128,750
Other purpose	**106,749**	343,582	**—**	343,582
Gross loans and financing	**21,941,501**	19,145,847	**—**	19,135,483

(v) The maturity structure of loans and financing is as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Maturing within one year	**6,521,911**	2,648,195	**—**	2,648,195
One year to three years	**838,591**	853,070	**—**	842,706
Three years to five years	**1,963,278**	2,008,210	**—**	2,008,210
After five years	**12,617,721**	13,636,372	**—**	13,636,372
Gross loans and financing	**21,941,501**	19,145,847	**—**	19,135,483

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(vi) Movements in the non-performing loans and financing (including income receivables) are as follows:

	Group		Bank	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Gross balance at beginning of year	**1,306,138**	1,363,941	**1,306,138**	1,363,941
Classified during the year	**621,839**	823,539	**295,447**	823,539
Transfer from Kewangan Bersatu Berhad ("KBB")	**—**	8,859	**—**	8,859
Recovered/regularised during the year	**(614,967)**	(806,036)	**(269,973)**	(806,036)
Sale of NPL, reported under Head Office	**(69,448)**	—	**(69,448)**	—
Transfer to Maybank Islamic Berhad	**—**	—	**(1,245,328)**	—
Expenses debited to customers' accounts	**6,488**	6,126	**3,117**	6,126
Amount written off	**(143,660)**	(90,291)	**(19,953)**	(90,291)
Gross balance at end of year	**1,106,390**	1,306,138	**—**	1,306,138
Less:				
– Specific allowance	**(549,632)**	(536,572)	**—**	(536,572)
Net non-performing loans and financing	**556,758**	769,566	**—**	769,566
Gross loans and financing	**21,941,501**	19,145,847	**—**	19,135,483
Less:				
– Specific allowance	**(549,632)**	(536,572)	**—**	(536,572)
Net loans and financing	**21,391,869**	18,609,275	**—**	18,598,911
Ratio of net non-performing loans	**2.60%**	4.14%	**—**	4.14%

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(vii) Non-performing loans analysed by their economic purposes are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Purchase of securities	**46,701**	53,694	**—**	53,694
Purchase of transport vehicles	**28,470**	29,052	**—**	29,052
Purchase of landed properties:				
– Residential	**513,073**	661,976	**—**	661,976
– Non-residential	**43,493**	44,164	**—**	44,164
Purchase of Fixed Assets (exclude landed properties)	**—**	387	**—**	387
Personal Use	**34,565**	43,816	**—**	43,816
Consumer durables	**4**	4	**—**	4
Construction	**136,448**	235,425	**—**	235,425
Working capital	**303,636**	180,983	**—**	180,983
Other Purpose	**—**	56,637	**—**	56,637
	1,106,390	1,306,138	**—**	1,306,138

(viii) Movements in the allowance for bad and doubtful debts and financing accounts are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Specific allowance				
Balance at beginning of year	**536,572**	390,937	**536,572**	390,937
Allowance made during the year	**299,749**	289,558	**153,175**	289,558
Amount written back in respect of recoveries	**(96,318)**	(52,088)	**(43,267)**	(52,088)
Amount written off	**(143,660)**	(90,290)	**(19,953)**	(90,290)
Transfer to general allowance	**(2,617)**	—	**(2,617)**	—
Carried forward	**593,726**	538,117	**623,910**	538,117

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(viii) Movements in the allowance for bad and doubtful debts and financing accounts are as follows: (Cont'd.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Specific allowance (Cont'd.)				
Brought forward	**593,726**	538,117	**623,910**	538,117
Transfer to Head Office for restructuring/ reschedule of conventional loans	**—**	(9,502)	**—**	(9,502)
Transfer from Kewangan Bersatu Berhad ("KBB")	**—**	7,957	**—**	7,957
Sale of NPL, subsequently transferred to Head Office	**(44,094)**	—	**(44,094)**	—
Transfer to Maybank Islamic Berhad	**—**	—	**(579,816)**	—
Balance at end of year	**549,632**	536,572	**—**	536,572
General allowance				
Balance at beginning of year	**664,196**	623,914	**663,453**	623,914
Allowance made during the year	**35,144**	69,324	**9,054**	68,398
Amount written back	**(743)**	(29,234)	**—**	(29,051)
Amount transferred from KBB	**—**	192	**—**	192
Transfer from specific allowance	**2,617**	—	**2,617**	—
Excess of general allowance transferred to Head Office	**(367,233)**	—	**(367,233)**	—
Transfer to Maybank Islamic Berhad	**—**	—	**(307,891)**	—
Balance at end of year	**333,981**	664,196	**—**	663,453
As a percentage of total loans (less specific allowance)	**1.56%**	3.57%	**—**	3.57%
As a percentage of total risk-weighted assets for credit risk, excluding deferred tax assets	**1.58%**	3.32%	**—**	3.34%

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) DEFERRED TAX ASSETS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 July 2007/2006	**(192,303)**	(226,177)	**(192,473)**	(224,680)
Recognised in the income statement (Note 50(s))	**(16,349)**	16,811	**—**	16,290
Recognised in equity	**(11,303)**	17,063	**—**	15,917
Transfer to Head Office	**192,473**	—	**192,473**	—
At 30 June 2008/2007	**(27,482)**	(192,303)	**—**	(192,473)
Presented after appropriate offsetting as follows:				
Deferred tax assets, net	**(27,482)**	(192,303)	**—**	(192,473)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets shown in the balance sheet have been determined after appropriate offsetting.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

	Loan Loss and Allowances RM'000	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium RM'000	Other Temporary Difference RM'000	Total RM'000
At 1 July 2007	(197,889)	6,191	(9,988)	(201,686)
Transfer to Head Office	197,667	(5,338)	9,527	201,856
Recognised in the income statement	(15,068)	(171)	(1,110)	(16,349)
Recognised in equity	—	(11,303)	—	(11,303)
At 30 June 2008	(15,290)	(10,621)	(1,571)	(27,482)

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) DEFERRED TAX ASSETS (CONT'D.)

Deferred Tax Assets of the Group: (Cont'd.)

	Loan Loss and Allowances RM'000	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium RM'000	Other Temporary Difference RM'000	Total RM'000
At 1 July 2006	(190,797)	(11,614)	(33,149)	(235,560)
Recognised in the income statement	(7,092)	742	23,161	16,811
Recognised in equity	—	17,063	—	17,063
At 30 June 2007	(197,889)	6,191	(9,988)	(201,686)

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowance RM'000
At 1 July 2007	9,383
Transfer to Head Office	(9,383)
At 30 June 2008	—
At 1 July 2006	9,383
Recognised in the income statement	—
At 30 June 2007	9,383

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) DEFERRED TAX ASSETS (CONT'D.)

Deferred Tax Assets of the Bank:

	Loan Loss and Allowances and Income Suspended RM'000	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium RM'000	Other Temporary Difference RM'000	Total RM'000
At 1 July 2007	(197,667)	5,338	(9,527)	(201,856)
Transfer to Head Office	197,667	(5,338)	9,527	201,856
At 30 June 2008	—	—	—	—
At 1 July 2006	(190,796)	(10,579)	(32,688)	(234,063)
Recognised in the income statement	(6,871)	—	23,161	16,290
Recognised in equity	—	15,917	—	15,917
At 30 June 2007	(197,667)	5,338	(9,527)	(201,856)

Deferred Tax Liabilities of the Bank:

	Accelerated Capital Allowance RM'000
At 1 July 2007	9,383
Recognised in the income statement	(9,383)
At 30 June 2008	—
At 1 July 2006	9,383
Recognised in the income statement	—
At 30 June 2007	9,383

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(f) STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

(g) DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Mudharabah Fund				
Demand deposits	**2,179,605**	1,885,819	**—**	1,885,819
Savings deposits	**108,793**	83,805	**—**	83,805
General Investment deposits	**6,313,712**	6,192,625	**—**	5,782,692
Special investment deposits	**—**	483,953	**—**	483,953
	8,602,110	8,646,202	**—**	8,236,269
Non-Mudharabah Fund				
Demand deposits	**3,675,392**	2,940,783	**—**	2,905,247
Savings deposits	**3,959,324**	3,217,921	**—**	3,217,921
Structured deposits	**345,330**	—	**—**	—
Negotiable instruments of deposits	**3,221,824**	1,447,139	**—**	1,447,139
	11,201,870	7,605,843	**—**	7,570,307
	19,803,980	16,252,045	**—**	15,806,576

(i) The maturity structure of general and special investment deposits and negotiable instruments of deposits is as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due within six months	**7,425,036**	5,081,922	**—**	4,758,737
Six months to one year	**734,084**	1,439,850	**—**	1,353,102
One year to three years	**517,622**	545,715	**—**	545,715
Three years to five years	**670,150**	817,744	**—**	817,744
After five years	**188,644**	238,486	**—**	238,486
	9,535,536	8,123,717	**—**	7,713,784

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(g) DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) The deposits are sourced from the following customers:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Business enterprises	**6,523,618**	2,499,871	**—**	2,499,871
Individuals	**6,428,066**	5,234,561	**—**	4,896,142
Government and statutory bodies	**2,535,825**	2,931,113	**—**	2,931,113
Others	**4,316,471**	5,586,500	**—**	5,479,450
	19,803,980	16,252,045	**—**	15,806,576

(h) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Mudharabah Fund				
Licensed banks	**2,748,619**	188,690	**—**	188,690
Licensed merchant banks	**—**	1,850	**—**	1,850
Other financial institutions	**—**	11,333	**—**	11,333
	2,748,619	201,873	**—**	201,873
Non-Mudharabah Fund				
Licensed banks	**2,152,692**	1,881,828	**—**	1,881,828
Licensed merchant banks	**489,096**	—	**—**	—
Other financial institutions	**199,228**	194,321	**—**	194,321
	2,841,016	2,076,149	**—**	2,076,149
	5,589,635	2,278,022	**—**	2,278,022

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) DERIVATIVE ASSETS AND LIABILITIES

Group 2008	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	 Liabilities RM'000
Profit Rate Related Contracts:			
Options	**621,750**	**45,185**	**(45,185)**
Profit rate swaps	**70,000**	**—**	**(15)**
Total derivatives	**691,750**	**45,185**	**(45,200)**

(j) OTHER LIABILITIES

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit payable	**64,430**	97,644	**—**	95,915
Profit equalisation reserves (Note 50(k))	**65,623**	64,205	**—**	61,768
Due to Head Office	**85,790**	418,021	**—**	374,332
Other creditors, provisions and accruals	**261,761**	115,064	**—**	114,764
	477,604	694,934	**—**	646,779

(k) PROFIT EQUALISATION RESERVES ("PER")

The movements in PER are as follows:

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 July 2007/2006	**64,205**	144,111	**61,768**	141,828
Provision made	**56,906**	—	**10,225**	—
Amount written back	**(55,336)**	(79,817)	**—**	(80,060)
Transfer to Maybank Islamic Berhad	**—**	—	**(71,993)**	—
Exchange difference	**(152)**	(89)	**—**	—
At 30 June 2008/2007	**65,623**	64,205	**—**	61,768

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(l) PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Taxation	**40,421**	234,185	**265,168**	232,968
Zakat	**8,659**	3,569	**5,058**	3,563
Transfer to Head Office	**—**	—	**(270,226)**	—
	49,080	237,754	**—**	236,531

(m) SUBORDINATED OBLIGATIONS

		Group	
	Note	2008 RM'000	2007 RM'000
RM1,000 million subordinated Islamic bonds due in 2015	(i)	**—**	1,000,000
RM1,500 million subordinated Islamic bonds due in 2018	(ii)	**—**	1,500,000
		—	2,500,000

(i) On 24 November 2005, the Bank issued RM1.0 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 4.48% per annum payable semi-annually in arrears in May and November each year, and are due in November 2015. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate from the beginning of the 6th year to the final maturity date.

(ii) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 12 non-callable 7 basis feature, with a profit rate of 5.0% per annum payable semi-annually in arrears in May and November each year, and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the 7th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate from the beginning of the 8th year to the final maturity date.

All the Notes and Bonds above constitute unsecured liabilities of the Bank and are subordinated to the senior indebtedness of the Bank in accordance with the respective terms and conditions of their issues and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

The Subordinated Obligations were not transferred out to MIB.

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(n) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income from investment of:				
(i) General investment deposits	**394,302**	506,114	**162,442**	497,454
(ii) Other deposits	**1,040,963**	861,762	**543,831**	847,020
	1,435,265	1,367,876	**706,273**	1,344,474

(i) Income derived from investment of general investment deposits

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Finance income and hibah				
Financing, advances and other loans	**309,836**	419,442	**141,244**	419,439
Securities available-for-sale	**28,000**	30,981	**10,373**	22,618
Money at call and deposits with financial institutions	**37,272**	42,099	**7,460**	42,099
	375,108	492,522	**159,077**	484,156
Amortisation of premium less accretion of discount	**8,767**	12,525	**3,365**	12,480
Total finance income and hibah	**383,875**	505,047	**162,442**	496,636
Other operating income:				
(a) Fees income	**10,427**	4	**—**	4
(b) Gain on sale of securities available-for-sale	**—**	1,063	**—**	814
	394,302	506,114	**162,442**	497,454

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(n) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONT'D.)

(ii) Income derived from investment of other deposits

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Finance income and hibah				
Financing, advances and other loans	**891,067**	714,185	**472,861**	714,181
Securities available-for-sale	**58,428**	52,751	**34,728**	38,513
Money at call and deposits with financial institutions	**44,717**	71,683	**24,976**	71,683
	994,212	838,619	**532,565**	824,377
Amortisation of premium less accretion of discount	**20,609**	21,327	**11,266**	21,249
Total finance income and hibah	**1,014,821**	859,946	**543,831**	845,626
Other operating income:				
(a) Fees income	**26,142**	7	**—**	7
(b) Gain on sale of securities available-for-sale	**—**	1,809	**—**	1,387
	1,040,963	861,762	**543,831**	847,020

(o) ALLOWANCES FOR LOSSES ON FINANCING, ADVANCES AND OTHER LOANS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance				
– Made	**299,749**	289,558	**153,175**	289,558
– Written back	**(96,318)**	(52,088)	**(43,267)**	(52,088)
General allowance made	**34,401**	39,095	**9,054**	39,347
Bad debts and financing:				
– Written off	**740**	1,875	**13**	1,875
– Recovered	**(16,440)**	(16,480)	**(10,078)**	(16,480)
	222,132	261,960	**108,897**	262,212

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits from customers				
– Mudharabah Fund	**156,132**	193,687	**81,592**	185,313
– Non-Mudharabah Fund	**229,183**	220,392	**107,041**	220,392
Deposits and placements of banks and other financial institutions				
– Mudharabah Fund	**35,289**	19,118	**14,551**	16,166
– Non-Mudharabah Fund	**64,487**	83,361	**46,793**	83,361
	485,091	516,558	**249,977**	505,232

(q) GROSS INVESTMENT INCOME

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Financing, advances and other loans	**49,479**	—	**—**	—
Securities available-for-sale	**2,804**	—	**—**	—
Money at call and deposits with financial institutions	**2,666**	—	**—**	—
	54,949	—	**—**	—
Amortisation of premium less accretion of discount	**1,104**	—	**—**	—
Total finance income and hibah	**56,053**	—	**—**	—
Other operating income:				
– Commissions	**24,746**	40,486	**22,977**	40,486
– Service charges and fees	**17,975**	29,807	**16,647**	29,802
– Other fee income	**5,713**	2,988	**5,713**	2,989
	104,487	73,281	**45,337**	73,277

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(r) OVERHEAD EXPENSES

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Personnel expenses				
– Salaries and wages	**96,125**	119,171	**93,526**	119,073
– Social security cost	**890**	5,438	**880**	5,438
– Pension cost – Defined contribution plan	**15,329**	18,945	**14,961**	18,945
– Other staff related expenses	**9,810**	11,630	**9,689**	11,630
Sub-total	**122,154**	155,184	**119,056**	155,086
Establishment costs				
– Depreciation	**3,563**	8,475	**3,563**	8,475
– Information technology expenses	**27,417**	46,535	**27,417**	46,535
– Others	**28,396**	51,478	**27,883**	51,154
Sub-total	**59,376**	106,488	**58,863**	106,164
Marketing costs				
– Advertisement and publicity	**10,993**	13,112	**5,423**	13,112
– Others	**4,553**	20,580	**5,818**	20,580
Sub-total	**15,546**	33,692	**11,241**	33,692
Administration and general expenses				
– Fees and brokerage	**—**	10,931	**—**	10,931
– Administrative expenses	**6,635**	6,520	**6,635**	6,520
– General expenses	**10,081**	5,611	**6,481**	5,611
– Others	**—**	940	**—**	920
Sub-total	**16,716**	24,002	**13,116**	23,982
Shared service cost paid/payable to Head Office	**157,481**	—	**—**	—
Total	**371,273**	319,366	**202,276**	318,924
Included in overhead expenses are:				
Shariah Committee Members' fee and remuneration	**160**	149	**160**	149

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(s) TAXATION

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax expense for the year	**87,181**	65,482	**32,200**	64,000
Deferred tax in relation to origination and reversal of temporary differences (Note 50(e))	**(16,349)**	16,811	**—**	16,290
	70,832	82,293	**32,200**	80,290

(t) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank and its subsidiaries as at 30 June, are as follows:

	2008			2007		
Group and Bank	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Direct credit substitutes	**170,015**	**170,015**	**119,227**	104,393	104,393	80,985
Certain transaction-related contingent items	**650,224**	**325,112**	**289,899**	702,644	351,322	314,075
Short-term self-liquidating trade-related contingencies	**269,206**	**53,841**	**51,414**	148,737	29,747	26,333
Islamic housing and hire purchase loans sold to Cagamas Berhad	**973,602**	**973,602**	**792,474**	1,196,143	1,196,143	991,686
Commitment on securities sold under sell and buy back agreements	**40,000**	**40,000**	**8,000**	—	—	—
Irrevocable commitments to extend credit:						
– maturity within one year	**5,585,765**	**—**	**—**	7,038,763	—	—
– maturity exceeding one year	**242,234**	**121,117**	**104,422**	279,371	139,686	122,747
Profit rate related contracts:						
– one year to less than five years	**691,750**	**20,063**	**20,055**	—	—	—
Miscellaneous	**105,424**	**—**	**—**	103,006	—	—
	8,728,220	**1,703,750**	**1,385,491**	9,573,057	1,821,291	1,535,826

* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights, respectively as specified by Bank Negara Malaysia

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(u) CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

	Group		Bank	
	2008	2007	2008	2007
Capital ratio				
Core capital ratio	**8.62%**	8.77%	**—**	8.56%
Risk-weighted capital ratio	**10.19%**	16.34%	**—**	16.19%
Tier 1 capital				
Islamic banking fund	**111,980**	521,003	**—**	516,002
Other reserves	**1,745,668**	1,428,735	**—**	1,376,420
Less: Deferred tax assets	**(27,482)**	(192,303)	**—**	(192,473)
Total Tier 1 capital	**1,830,166**	1,757,435	**—**	1,699,949
Tier 2 capital				
Approved capital instruments*	**—**	849,975	**—**	849,975
General allowance for bad and doubtful debts and financing	**333,981**	664,196	**—**	663,453
Total Tier 2 capital	**333,981**	1,514,171	**—**	1,513,428
Capital base	**2,164,147**	3,271,606	**—**	3,213,377

* Limited to the amount approved by Bank Negara Malaysia.

The breakdown of risk-weighted assets for credit risk (excluding deferred tax assets) in the various categories of risk-weights are as follows:

Group	2008		2007	
	Principal RM'000	Risk-Weighted RM'000	Principal RM'000	Risk-Weighted RM'000
0%	**5,691,479**	**—**	2,632,647	—
10%	**37,564**	**3,756**	—	—
20%	**1,032,426**	**206,485**	1,817,760	363,552
50%	**4,986,066**	**2,493,033**	5,272,675	2,636,338
100%	**18,439,796**	**18,439,796**	17,017,562	17,017,562
Total risk-weighted assets for credit risk		**21,143,070**		20,017,452
Total risk-weighted assets for market risk		**80,221**		—
Total risk-weighted assets for credit and market risk		**21,223,291**		20,017,452

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(u) CAPITAL ADEQUACY (CONT'D.)

Bank	2008		2007	
	Principal RM'000	Risk-Weighted RM'000	Principal RM'000	Risk-Weighted RM'000
0%	—	—	2,267,600	—
10%	—	—	—	—
20%	—	—	1,811,248	362,250
50%	—	—	5,272,675	2,636,338
100%	—	—	16,843,415	16,843,415
Total risk-weighted assets for credit risk		—		19,842,003

(v) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2008		2007	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Group				
Financial Assets				
Securities held-to-maturity	**2,877,245**	**2,877,245**	—	—
Loans and financing*	**21,391,870**	**17,919,623**	18,609,275	16,643,207
Financial Liabilities				
Deposits from customers	**19,803,980**	**19,813,069**	16,252,045	16,289,074
Bank				
Financial Assets				
Securities held-to-maturity	—	—	—	—
Loans and financing*	—	—	18,598,911	16,632,843
Financial Liabilities				
Deposits from customers	—	—	15,806,576	15,843,604

* The general allowance for the Group and the Bank amounting to RM333,981,000 (2007: RM664,196,000) and RM Nil (2007: RM663,453,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as stated in Note 45.

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(w) SHARIAH COMMITTEE

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institutions Act, 1989 ("the Act"), which stipulates that "any licensed institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advise of the Shariah Advisory Council (SAC) established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as BNM/GPS 1, stipulates that "Every Islamic institution is required to establish a Shariah Committee".

Based on the above, the duties and responsibilities of the Group's Shariah Committee are to advise on the overall Islamic Banking operations of the Group's business in order to ensure compliance with the Shariah requirements.

The roles of Shariah Committee in monitoring the Group's activities include:

(a) To advise the Board on Shariah matters in its business operations.

(b) To endorse Shariah Compliance Manuals.

(c) To endorse and validate relevant documentations.

(d) To assist related parties on Shariah matters for advice upon request.

(e) To advise on matters to be referred to the SAC.

The Shariah Committee at the group level has three members. All of them are also members of Shariah Committee of Mayban Takaful Berhad.

(x) ALLOCATION OF INCOME

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework on Rate of Return" issued by Bank Negara Malaysia in October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

(y) ESTABLISHMENT OF AN ISLAMIC BANKING SUBSIDIARY – MAYBANK ISLAMIC BERHAD

On 12 December 2007, Maybank obtained an order from the High Court of Malaya to effect and vest over the assets and liabilities of the Bank's Malaysian Islamic Banking Scheme ("IBS") operations to Maybank Islamic Berhad ("MIB"). The effective date of transfer and vesting of the Malaysian IBS operations is on 1 January 2008. The assets and liabilities vested to MIB are as follows:

(i) As at 31 December 2007

	RM'000
ASSETS	
Cash and short-term funds	1,416,054
Deposits and placements with banks and other financial institutions	4,397
Securities portfolio	2,548,875
Loans and financing	19,485,068
Other assets	103,948
Statutory deposit with Bank Negara Malaysia	603,000
Total Assets	24,161,342

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(y) ESTABLISHMENT OF AN ISLAMIC BANKING SUBSIDIARY – MAYBANK ISLAMIC BERHAD (CONT'D.)

(i) As at 31 December 2007 (Cont'd.)

	RM'000
LIABILITIES	
Deposits from customers	17,129,124
Deposit and placements of banks and other financial institutions	4,414,584
Obligations on securities sold under repurchase agreements	29,625
Bills and acceptances payable	12,942
Other liabilities	1,092,202
Provision for zakat	5,058
Total Liabilities	22,683,535
Net Assets	1,477,807

(ii) Impact to Income Statement

The results of the Malaysian IBS operations of the Bank are as follows:

	Bank	
	2008 RM'000	2007 RM'000
Income derived from investment of depositors' funds	**681,506**	1,309,419
Expenses directly attributable to depositors and Islamic Banking Funds	**(32,068)**	(37,303)
Transfer from profit equalisation reserve	**(10,225)**	80,060
Gross attributable income	**639,213**	1,352,176
Allowances for losses on financing, advances and other loans	**(108,897)**	(262,212)
Total attributable income	**530,316**	1,089,964
Income attributable to the depositors	**(230,919)**	(487,074)
Income attributable to the Group/Bank	**299,397**	602,890
Income derived from investment of Islamic Banking Funds:		
Gross investment income	**45,330**	73,267
Finance cost	**(39,569)**	(98,090)
Net (expense)/income investment of Islamic Banking Funds	**5,761**	(24,823)
	305,158	578,067
Overhead expenses	**(202,276)**	(318,924)
Profit before taxation and zakat	**102,882**	259,143
Taxation	**(32,200)**	(80,290)
Zakat	**(1,495)**	(3,563)
Profit for the year	**69,187**	175,290

50. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(y) ESTABLISHMENT OF AN ISLAMIC BANKING SUBSIDIARY – MAYBANK ISLAMIC BERHAD (CONT'D.)

(iii) Impact to Balance Sheet

	Bank	
	2008 RM'000	2007 RM'000
ASSETS		
Cash and short-term funds	—	1,633,560
Deposits and placements with banks and other financial institutions	—	1,120
Securities portfolio	—	3,246,350
Loans, advances and financing	—	17,666,463
Other assets	—	73,476
Statutory deposits with Central Banks	—	501,000
Total Assets	—	23,121,969
LIABILITIES		
Deposits from customers	—	15,720,442
Deposits and placements of banks and other financial institutions	—	1,512,284
Bills and acceptances payable	—	526,874
Other liabilities	—	916,632
Total Liabilities	—	18,676,232

(iv) The cash flows attributable to the transferred of Malaysian IBS operations are as follows:

	Bank	
	2008 RM'000	2007 RM'000
Operating cash flows	**2,798,496**	(1,422,419)
Financing cash flows	**(3,016,002)**	—
Total cash flows	**(217,506)**	(1,422,419)

(v) The impact of restatement of comparatives resulting from the transfer of the Malaysian IBS operations is disclosed in Note 52(ii).

51. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS' BALANCE SHEET AS AT 30 JUNE 2008

Group	2008				2007			
	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Total RM'000	Life Takaful Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Total RM'000
ASSETS								
Property, plant and equipment	**66,146**	**1,633**	**5,498**	**73,277**	69,859	362	234	70,455
Investment properties	**257,618**	**—**	**—**	**257,618**	372,620	—	—	372,620
Intangible assets	**142**	**1,876**	**1,436**	**3,454**	—	—	—	—
Investments	**6,780,023**	**3,541,816**	**510,320**	**10,832,159**	6,397,470	3,225,962	433,782	10,057,214
Loans	**407,164**	**40,972**	**1,833**	**449,969**	403,274	—	—	403,274
Receivables	**161,873**	**75,157**	**71,135**	**308,165**	258,415	123,818	68,720	450,953
Cash and bank balances	**54,613**	**64,926**	**41,355**	**160,894**	46,102	47,817	21,091	115,010
Deferred tax assets	**—**	**—**	**119**	**119**	—	465	153	618
Investment-linked business assets	**3,258,894**	**345,420**	**—**	**3,604,314**	3,316,698	251,017	—	3,567,715
	10,986,473	**4,071,800**	**631,696**	**15,689,969**	10,864,438	3,649,441	523,980	15,037,859
LIABILITIES								
Provision for outstanding claims	**39,814**	**39,845**	**172,750**	**252,409**	38,307	43,548	152,228	234,083
Other liabilities	**373,974**	**2,961,844**	**444,595**	**3,780,413**	467,728	154,639	338,464	960,831
	413,788	**3,001,689**	**617,345**	**4,032,822**	506,035	198,187	490,692	1,194,914
Life, general takaful and family takaful policy holders' funds	**10,572,685**	**1,070,111**	**14,351**	**11,657,147**	10,358,403	3,451,254	33,288	13,842,945
	10,986,473	**4,071,800**	**631,696**	**15,689,969**	10,864,438	3,649,441	523,980	15,037,859

(i) The operating revenue generated from the life insurance, general takaful and family takaful businesses of the Group for the financial year amounted to approximately RM3,454,471,000 (2007: RM4,298,524,000).

52. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF COMPARATIVES

The following tables provide estimates of the extent to which of the line items in the balance sheets for the year ended 30 June 2008 is higher or lower as a result of changes in accounting policies as stated in Note 3(ii) and of compliance with requirements of FRS 5 Non-Current Assets Held for Sale and Discontinued Operations pursuant to the transfer of the Islamic Banking Operations in Malaysia to MIB as disclosed in Note 49(a) and 50(y). There is no impact to income statements arising from the change in accounting policy. The impact to the income statement and balance sheet of the Bank arising from the transfer of the Islamic Banking Operations in Malaysia have been disclosed in Note 50(y) (ii) and (iii) respectively.

(i) Effects on balance sheets as at 30 June 2008

	Increase/(Decrease)	
	Group	Bank
FRS 117	**RM'000**	**RM'000**
Other assets	116,557	86,358
Property, plant & equipment	(116,557)	(86,358)

(ii) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting new FRSs as disclosed in Note 3(ii) and in compliance with requirements of FRS 5 Non-Current Assets Held for Sale and Discontinued Operations pursuant to the transfer of Islamic Banking Scheme operations as disclosed in Note 49(a) and Note 50(y):

As at 30 June 2007	Previously Stated RM'000	FRS 117 RM'000	Transfer of Islamic Banking Operations RM'000	Restated RM'000
(a) Group				
Other assets	3,257,377	118,016	—	3,375,393
Property, plant & equipment	1,269,703	(118,016)	—	1,151,687
(b) Bank				
ASSETS				
Cash and short-term funds	34,200,909	—	(1,633,560)	32,567,349
Deposits and placements with banks and other financial institutions	15,560,914	—	(1,120)	15,559,794
Securities portfolio	28,624,945	—	(3,246,350)	25,378,595
Loans, advances and financing	136,223,498	—	(17,666,463)	118,557,035
Other assets	1,833,415	87,195	(73,476)	1,847,134
Property, plant & equipment	1,074,389	(87,195)	—	987,194
Statutory deposits with Central Banks	5,339,337	—	(501,000)	4,838,337
Assets transferred to subsidiary, pursuant to transfer of Islamic Banking Operations	—	—	23,121,969	23,121,969

52. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF COMPARATIVES (CONT'D.)

(ii) Restatement of comparatives (Cont'd.)

As at 30 June 2007	Previously Stated RM'000	FRS 117 RM'000	Transfer of Islamic Banking Operations RM'000	Restated RM'000
(b) Bank (Cont'd.)				
LIABILITIES				
Deposits from customers	149,576,055	—	(15,720,442)	133,855,613
Deposits and placements of banks and other financial institutions	32,683,020	—	(1,512,284)	31,170,736
Bills and acceptances payable	2,922,088	—	(526,874)	2,395,214
Other liabilities	3,896,973	—	(916,632)	2,980,341
Liabilities transferred to subsidiary, pursuant to transfer of Islamic Banking Operations	—	—	18,676,232	18,676,232
Interest income	10,099,053	—	35,065	10,134,118
Interest expense	(5,273,221)	—	(18,158)	(5,291,379)
Net interest income	4,825,832	—	16,907	4,842,739
Income from Islamic Banking Operations	845,784	—	(845,784)	—
Other operating income	1,982,871	—	—	1,982,871
Total non-interest income	2,375,645	—	—	2,375,645
Overhead expenses	(3,144,145)	—	307,522	(2,836,623)
Operating profit	4,903,116	—	(521,355)	4,381,761
Allowance for losses on loans, advances	(751,269)	—	262,212	(489,057)
Profit before taxation and zakat	4,151,847	—	(259,143)	3,892,704
Taxation and zakat	(1,100,386)	—	83,853	(1,016,533)
Profit for the year from continuing operations	3,051,461	—	(175,290)	2,876,171
Profit for the year from transfer of Islamic Banking Operations	—	—	175,290	175,290

53. DETAILS OF SUBSIDIARIES

(a) Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital		Effective Interest	
			2008 RM	2007 RM	2008 %	2007 %
Banking						
Maybank Islamic Berhad	Islamic Banking	Malaysia	**100,000,000**	—	**100.0**	—
PT Bank Maybank Indocorp[8]	Banking	Indonesia	**945,069,000,000**[1]	945,069,000,000[1]	**96.8**	96.8
Maybank International (L) Ltd.	Offshore banking	Malaysia	**10,000,000**[2]	10,000,000[2]	**100.0**	100.0
Maybank (PNG) Limited[9]	Banking	Papua New Guinea	**5,000,000**[3]	5,000,000[3]	**100.0**	100.0
Maybank Philippines, Incorporated[8]	Banking	Philippines	**3,972,783,327**[4]	3,670,884,737[4]	**99.96**	99.96
Finance						
Myfin Berhad	Ceased operations	Malaysia	**551,250,000**	551,250,000	**100.0**	100.0
Sifin Berhad	Under member's voluntary liquidation	Malaysia	**100,000,000**	100,000,000	**100.0**	100.0
Aseamlease Berhad	Leasing	Malaysia	**20,000,000**	20,000,000	**100.0**	100.0
Mayban Allied Credit & Leasing Sdn. Bhd.	Financing	Malaysia	**10,000,000**	10,000,000	**100.0**	100.0
Aseam Credit Sdn. Bhd.	Hire purchase	Malaysia	**20,000,000**	20,000,000	**100.0**	100.0
Mayban Factoring Berhad	Factoring	Malaysia	**2,000,000**	2,000,000	**100.0**	100.0

53. DETAILS OF SUBSIDIARIES (CONT'D.)

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital 2008 RM	Issued and Paid-up Share Capital 2007 RM	Effective Interest 2008 %	Effective Interest 2007 %
Insurance						
Mayban Fortis Holdings Berhad	Investment holding	Malaysia	**239,430,446**	236,173,540	**69.05**	70.0
Mayban Life Assurance Bhd.	Life insurance	Malaysia	**100,000,000**	100,000,000	**63.5**	62.0
Etiqa Life International (L) Ltd *(formerly known as Mayban Life International (Labuan) Ltd.)*	Offshore investment-linked insurance	Malaysia	**3,500,000**[2]	3,500,000[2]	**63.5**	62.0
Mayban General Assurance Berhad	General insurance	Malaysia	**178,171,233**	178,171,233	**65.5**	64.8
Etiqa Insurance Berhad *(formerly known as Malaysia National Insurance Bhd)*	General insurance	Malaysia	**152,351,399**	152,351,399	**69.05**	70.0
Etiqa Takaful Berhad *(formerly known as Takaful Nasional Berhad)*	Family & general takaful	Malaysia	**100,000,000**	100,000,000	**69.05**	70.0
Etiqa Offshore Insurance (L) Ltd *(formerly known as MNI Offshore Insurance (L) Ltd)*	Offshore general reinsurance	Malaysia	**2,500,000**[7]	2,500,000[7]	**69.05**	70.0
Investment Banking						
Aseambankers Malaysia Berhad	Investment banking	Malaysia	**50,116,000**	50,116,000	**100.0**	100.0
Maysec Sdn. Bhd.	Investment holding	Malaysia	**162,000,000**	162,000,000	**100.0**	100.0

53. DETAILS OF SUBSIDIARIES (CONT'D.)

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital		Effective Interest	
			2008 RM	2007 RM	2008 %	2007 %
Investment Banking (Cont'd.)						
Maysec (KL) Sdn. Bhd.	Dormant	Malaysia	**124,000,000**	124,000,000	**100.0**	100.0
Maydis Berhad	Dormant	Malaysia	**45,000,000**	45,000,000	**100.0**	100.0
Mayban Futures Sdn. Bhd.	Dormant	Malaysia	**10,000,000**	10,000,000	**100.0**	100.0
Mayban Securities (HK) Limited[8]	Dormant	Hong Kong	**30,000,000**[6]	30,000,000[6]	**100.0**	100.0
Mayban Securities (Jersey) Limited[9]	Investment holding	United Kingdom	**2**[7]	2[7]	**100.0**	100.0
PhileoAllied Securities (Philippines) Inc.[8]	Dormant	Philippines	**21,875,000**[4]	21,875,000[4]	**100.0**	100.0
Budaya Tegas Sdn. Bhd.	Dormant	Malaysia	**2**	2	**100.0**	100.0
Asset Management/Trustees/Custody						
Mayban Indonesia Berhad	Dormant	Malaysia	**5,000,000**	5,000,000	**100.0**	100.0
Cekap Mentari Berhad *(formerly known as Cekap Mentari Sdn. Bhd.)*	Securities Issuer	Malaysia	**2**	—	**100.0**	—
Mayban International Trust (Labuan) Berhad	Investment holding	Malaysia	**153,000**	150,000	**100.0**	100.0
Mayban Offshore Corporate Services (Labuan) Sdn. Bhd.	Investment holding	Malaysia	**2**	2	**100.0**	100.0
Mayban Trustees Berhad	Trustee services	Malaysia	**500,000**	500,000	**100.0**	100.0

53. DETAILS OF SUBSIDIARIES (CONT'D.)

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital 2008 RM	Issued and Paid-up Share Capital 2007 RM	Effective Interest 2008 %	Effective Interest 2007 %
Asset Management/Trustees/Custody (Cont'd.)						
Mayban Ventures Sdn. Bhd.	Venture capital	Malaysia	**14,000,000**	14,000,000	**100.0**	100.0
Mayban-JAIC Capital Management Sdn. Bhd.	Investment advisory and administration services	Malaysia	**2,000,000**	2,000,000	**50.19**	50.19
Mayban Investment Management Sdn. Bhd.	Fund management	Malaysia	**5,000,000**	5,000,000	**69.05**	100.0
Philmay Property, Inc.[8]	Property leasing and trading	Philippines	**100,000,000**[4]	100,000,000[4]	**60.0**	60.0
Mayban (Nominees) Sendirian Berhad	Nominee services	Malaysia	**31,000**	31,000	**100.0**	100.0
Mayban Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	100.0
Mayban Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	100.0
Mayban Nominees (Singapore) Private Limited[8]	Nominee services	Singapore	**60,000**[5]	60,000[5]	**100.0**	100.0
Mayban Nominees (HongKong) Limited[8]	Nominee services	Hong Kong	**3**[6]	3[6]	**100.0**	100.0
Aseam Malaysia Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	94.7
Aseam Malaysia Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	94.7

53. DETAILS OF SUBSIDIARIES (CONT'D.)

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital 2008 RM	Issued and Paid-up Share Capital 2007 RM	Effective Interest 2008 %	Effective Interest 2007 %
Asset Management/Trustees/Custody (Cont'd.)						
Mayfin Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	100.0
Mayban Securities Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	100.0
Mayban Securities Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	100.0
AFMB Nominees (Tempatan) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**10,000**	10,000	**100.0**	100.0
Mayban Allied Berhad	Investment holding	Malaysia	**753,908,638**	753,908,638	**100.0**	100.0
Anfin Berhad	Under member's voluntary liquidation	Malaysia	**106,000,000**	106,000,000	**100.0**	100.0
Mayban Allied Property Holdings Sdn. Bhd.	Dormant	Malaysia	**2,000,000**	2,000,000	**100.0**	100.0
Maysec (Ipoh) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**100,000,000**	100,000,000	**100.0**	100.0
Mayban P.B. Holdings Sdn. Bhd.	Property investment	Malaysia	**1,000,000**	1,000,000	**100.0**	100.0
Mayban Property (PNG) Limited[9]	Property investment	Papua New Guinea	**2**[3]	2[3]	**100.0**	100.0

53. DETAILS OF SUBSIDIARIES (CONT'D.)

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital 2008 RM	Issued and Paid-up Share Capital 2007 RM	Effective Interest 2008 %	Effective Interest 2007 %
Asset Management/Trustees/Custody (Cont'd.)						
Mayban International Trust (Labuan) Ltd.	Trustee services	Malaysia	**40,000**[2]	40,000[2]	**100.0**	100.0
MNI Holdings Berhad	Investment holding	Malaysia	**2**	285,327,725	**69.05**	70.0
KBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.0**	100.0
KBB Properties Sdn. Bhd.	Ceased operations	Malaysia	**410,000**	410,000	**100.0**	100.0
Sri MTB Berhad *(formerly known as Mayban Takaful Berhad)*	Dormant	Malaysia	**100,000,000**	100,000,000	**69.05**	70.0
Etiqa Overseas Investment Pte Ltd *(formerly known as TN Overseas Investment Pte Ltd)*	Investment holding	Malaysia	**1**[2]	1[2]	**69.05**	70.0
Peram Ranum Bhd	Dormant	Malaysia	**60,000,000**	60,000,000	**69.05**	70.0
Double Care Sdn Bhd	Investment holding	Malaysia	**100,000,000**	100,000,000	**69.05**	70.0

Note:

(1) Indonesia Rupiah (IDR)
(2) United States Dollars (USD)
(3) Papua New Guinea Kina (Kina)
(4) Philippines Peso (Peso)
(5) Singapore Dollars (SGD)
(6) Hong Kong Dollars (HKD)
(7) Great Britain Pound (GBP)
(8) Audited by firms affiliated with Ernst & Young
(9) Audited by firms of auditors other than Ernst & Young

54. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

Overall, the Malaysian economy registered healthy economic growth in the first nine months of the financial year ending 30 June 2008. Real GDP growth was 6.7% year on year in the third quarter of 2007 and 7.3% year on year in the fourth quarter of 2007, bringing the full-year 2007 economic growth to 6.3% (2006: 5.8%). The pace was sustained in the first three months of 2008, with growth of 7.1% year on year in the first quarter of 2008. Economic growth during the period was essentially domestic-driven amid strong growth in consumer spending, fixed capital formation and Government expenditure.

MALAYSIA: REAL GDP GROWTH

(% YoY)	2006	2007	3Q07	4Q07	1Q08
Real GDP	5.8	6.3	6.7	7.3	7.1
Manufacturing	7.1	3.1	3.3	5.6	6.9
Services	7.2	9.7	10.5	9.3	8.0
Agriculture	5.2	2.2	1.9	4.7	6.3
Mining	(0.4)	3.3	2.5	3.5	3.7
Construction	(0.5)	4.6	4.7	4.7	5.3
Domestic Demand	6.6	9.8	11.9	9.1	10.1
Private Expenditure	6.5	10.8	13.0	10.2	11.8
Public Expenditure	4.9	6.6	6.0	4.2	10.5
Gross Fixed Capital Formation	7.9	9.6	12.8	10.2	6.0
Exports of Goods & Services	7.0	4.2	2.9	7.8	6.0
Imports of Goods & Services	8.5	5.4	3.1	11.0	3.4

Source: Bank Negara Malaysia

The prospect for FY2009, however, is more challenging as the global economic outlook is overshadowed by the unfolding financial crisis and sharp economic slowdown – if not recession – in the US that was triggered by the earlier subprime mortgage market collapse. The International Monetary Fund (IMF) expects global growth to slow significantly in the second half of 2008 before recovering gradually in 2009. It projects global economic growth to ease to 4.1% in 2008 and 3.9% in 2009 after averaging 5% per annum in 2004-2007.

At the same time, the surge in crude oil and soft commodity prices during the financial year prompted the Government to raise fuel-energy prices to reduce its fuel-energy subsidy bills on 5 June 2008. Consequently, the inflation rate accelerated during the period, from 1.6% year on year in July 2007 to 7.7% in June 2008.

The slowing global economy, rising inflationary pressure as well as domestic uncertainties are expected to take its toll on domestic demand, particularly consumer and business spending, on top of expected subdued export growth.

Consequently, Malaysia's real GDP growth is set to moderate to between 4% and 4.5% in the second half of 2008, giving a full-year real GDP growth of 5.3% before stabilising at around 5.1% in 2009, according to our estimate. The inflation rate quickened further to 8.5% year on year in July 2008, and will likely remain elevated until mid-2009 before easing in the second half of 2009, resulting in a 6% inflation rate in 2008 (2007: 2%) prior to a moderation to 4.7% in 2009.

To prevent excessive downside to the economy, both monetary and fiscal policies are expected to be pro-growth during FY2009. This will entail the prospect of an unchanged Overnight Policy Rate (OPR) for the most part of FY2009, coupled with the people-oriented tax incentives and spending in the Budget 2009. Also, government development spending should pick up following the 15% increase in development allocation to RM230 billion during the Mid-term Review of the Ninth Malaysia Plan. Meanwhile, more "non-interest rate" measures are expected to be announced to deal with inflation. The latest measures include the 8-22 sen reduction in petrol and diesel prices to reflect the current correction in crude oil prices, which partly reverses the 78 sen-RM1.00 hike on 5 June 2008.

BUSINESS ENVIRONMENT

The operating environment during FY2008 started off strong, but later turned mixed as robust domestic demand was moderated by weakening exports and domestic uncertainties.

Nevertheless, the financial sector continues to record relatively healthy loans growth into June 2008 (6.5% year to date, 11.7% year on year) where both household and business loans grew 8.9% year on year and 14.4% year on year respectively. Asset quality of the banking system improved further with the net non-performing loan (NPL) ratio declining to 2.7% as at June 2008, from 4.1% as at June 2007. System capitalisation stayed strong with core capital and risk weighted capital ratios at 10.1% and 13% respectively as at June 2008.

However, the rest of the year 2008 is expected to be very challenging for the financial services industry, particularly for the capital markets which in June 2008 were impacted by the introduction of windfall taxes on independent power producers, and may be further impacted by an anticipated move to review toll road concessions in the country.

The impact on the equity market was much more pronounced. After the 11% improvement from the start of the financial year to its peak of 1,516 points on 11 January 2008, the KLCI suffered from steep foreign selling following the March 2008 General Election. Consequently, the KLCI tumbled 25.9% to 1,070 points calendar year to date (as of 26 August 2008). The average daily trading value declined from RM2.04 billion in the second half of 2007 to only RM1.67 billion in the first half of 2008.

FIXED INCOME MARKET

In the bond market, a total of RM129.8 billion of bonds was issued by both the public and private sectors during the financial year under review, up 35% from the previous financial year. This was largely due to the 60.6% increase in private debt securities (PDS) to RM74b, as public sector issuance rose by just 11.4% to RM55.8 billion, of which RM45.3 billion were Malaysian Government Securities (MGS).

Bond yields were generally stable throughout the financial year. However, the bond market experienced a major sell down beginning 5 June 2008 when the government raised fuel-energy prices, causing MGS yields to increase and the yield curve to steepen in reaction to expectations of higher inflationary pressure going forward. However, Bank Negara's decision to keep the Overnight Policy Rate steady in June and August on account of the downside risks to growth has brought MGS yields down slightly, resulting in downward shifts of the yield curve.

Going forward, the MGS yield curve is expected to flatten considering the recent reduction of petrol prices in line with the falling crude oil prices, as well as slowing economic growth, all of which are expected to temper inflationary pressures.

ANALYSIS OF SHAREHOLDINGS
AS AT 8 AUGUST 2008

Authorised Share Capital:
10,000,000,000

Paid-Up Share Capital:
4,881,137,651

Class of Shares:
Ordinary Share of RM1 each

Voting Right:
1 vote per Ordinary Share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	691	1.35	19,078	0.00
100 to 1,000 shares	13,205	25.78	9,499,178	0.19
1,001 to 10,000 shares	29,125	56.87	104,522,684	2.14
10,001 to 100,000 shares	7,237	14.13	195,593,164	4.01
100,001 to less than 5% of issued shares	954	1.86	1,569,763,769	32.16
5% and above of issued shares	3	0.01	3,001,739,778	61.50
TOTAL	**51,215**	**100.00**	**4,881,137,651**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputra)	2,180,681,634	44.67
2.	Employees Provident Fund Board	500,281,336	10.25
3.	Permodalan Nasional Berhad	320,776,808	6.57

TOP THIRTY SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputra)	2,180,681,634	44.67
2.	Employees Provident Fund Board	500,281,336	10.25
3.	Permodalan Nasional Berhad	320,776,808	6.57
4.	Kumpulan Wang Persaraan (Diperbadankan)	137,195,625	2.81
5.	Lembaga Kemajuan Tanah Persekutuan (FELDA)	124,622,156	2.55
6.	Cartaban Nominees (Asing) Sdn Bhd (SSBT Fund GB01 for Harbor International Fund)	90,375,000	1.85
7.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.S.A))	87,710,950	1.80
8.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Amanah Saham Malaysia)	81,475,975	1.67
9.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Amanah Saham Wawasan 2020)	76,534,300	1.57
10.	Valuecap Sdn Bhd	70,578,350	1.45

TOP THIRTY SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS (CONT'D.)

No.	Name of Shareholders	No. of Shares Held	% of Shares
11.	Malaysia Nominees (Tempatan) Sendirian Bhd (Great Eastern Life Assurance (Malaysia) Berhad (Par 1))	45,659,125	0.94
12.	Citigroup Nominees (Asing) Sdn Bhd (Exempt AN for Mellon Bank (Mellon))	41,030,908	0.84
13.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Sekim Amanah Saham Nasional)	21,745,375	0.44
14.	Khazanah Nasional Berhad	21,108,802	0.43
15.	HSBC Nominees (Tempatan) Sdn Bhd (Nomura Asset Mgmt Malaysia for Employees Provident Fund)	19,533,375	0.40
16.	Lembaga Tabung Angkatan Tentera	18,948,625	0.39
17.	Cartaban Nominees (Asing) Sdn Bhd (Investors Bank and Trust Company for Ishares, Inc.)	17,878,200	0.37
18.	HSBC Nominees (Asing) Sdn Bhd (BBH & Co Boston for Vanguard Emerging Markets Stock Index Fund)	16,448,992	0.34
19.	Pertubuhan Keselamatan Sosial	16,297,462	0.33
20.	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for American International Assurance Berhad)	16,087,180	0.33
21.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.A.E))	14,525,725	0.30
22.	Yong Siew Yoon	14,218,747	0.29
23.	HDM Nominees (Asing) Sdn Bhd (Lim & Tan Securities Pte Ltd for Topview Holdings Limited)	11,727,375	0.24
24.	SBB Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	11,487,000	0.24
25.	Cartaban Nominees (Asing) Sdn Bhd (Investors Bank and Trust Company for MSCI Equity Index Fund B Malaysia (Barclays G Inv))	11,282,967	0.23
26.	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for Prudential Fund Management Berhad)	10,841,025	0.22
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd (PHEIM Asset Management Sdn Bhd for Employees Provident Fund)	10,416,375	0.21
28.	Cartaban Nominees (Asing) Sdn Bhd (Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C))	10,027,143	0.21
29.	HLG Nominees (Asing) Sdn Bhd (Hong Leong Fund Management Sdn Bhd for Asia Fountain Investment Company Limited)	8,750,000	0.18
30.	HSBC Nominees (Asing) Sdn Bhd (BBH and Co Boston for PCA Asia Oceania High Dividend Equity Mother Fund (MTBJ))	8,048,125	0.16
TOTAL		**4,016,294,660**	**82.28**

CLASSIFICATION OF SHAREHOLDERS
AS AT 8 AUGUST 2008

	No. of Shareholders		No. of Shareholdings		% of Total Shareholdings	
Category	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**
Individual						
a. Bumiputra	3,545		21,047,954		0.43	
b. Chinese	34,734		216,243,913		4.43	
c. Indian	1,369		7,251,160		0.15	
d. Others	219	2,077	1,229,765	45,187,977	0.02	0.93
Body Corporate						
a. Banks/Finance	63	1	1,049,437,746	8,750	21.50	
b. Investment/Trust	7		1,105,627		0.02	
c. Societies	17		2,526,887		0.05	
d. Industrial	704	64	91,564,678	12,640,021	1.88	0.26
Government Agencies/Institution	13		148,780,305		3.05	
Nominees	4,781	3,621	2,652,807,466	631,305,402	54.35	12.93
TOTAL	**45,452**	**5,763**	**4,191,995,501**	**689,142,150**	**85.88**	**14.12**

CHANGES IN SHARE CAPITAL

AUTHORISED SHARE CAPITAL

The present authorised share capital of the Bank is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each. Details of changes in its authorised share capital since its incorporation are as follows:-

Date	Increase in Authorised Share Capital	Total Authorised Share Capital
31-05-1960	20,000,000	20,000,000
06-09-1962	30,000,000	50,000,000
09-04-1977	150,000,000	200,000,000
17-01-1981	300,000,000	500,000,000
06-10-1990	500,000,000	1,000,000,000
09-10-1993	1,000,000,000	2,000,000,000
19-06-1998	2,000,000,000	4,000,000,000
11-08-2004	6,000,000,000	10,000,000,000

ISSUED AND PAID-UP SHARE CAPITAL

Details of changes in the Bank's issued and paid-up share capital since its incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Total Issued and Paid-Up Capital RM'000
31-05-1960	1,500,000	5.00	Cash	7,500,000
18-05-1961	500,000	5.00	Cash	10,000,000
31-05-1962	1,000,000	5.00	Rights Issue (1:2) at RM7.00 per share	15,000,000
21-08-1968	1,500,000	5.00	Rights Issue (1:2) at RM7.00 per share	22,500,000
04-01-1971	22,500,000	1.00*	Rights Issue (1:1) at RM1.50 per share	45,000,000
06-05-1977	15,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:3)	60,000,000
23-06-1977	30,000,000	1.00	Rights Issue (1:2) at RM3.00 per share	90,000,000
21-02-1981	30,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:3)	120,000,000
10-04-1981	60,000,000	1.00	Rights Issue (1:2) at RM4.00 per share	180,000,000
14-11-1984	45,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:4)	225,000,000
28-12-1984	45,000,000	1.00	Rights Issue (1:4) at RM6.00 per share	270,000,000
31-11-1985	68,249	1.00	Conversion of Unsecured Notes	270,068,249
15-11-1986	9,199,999	1.00	Issued in exchange for purchase of Kota Discount Berhad (Now known as Mayban Discount Berhad)	279,268,248
01-12-1986	10,550	1.00	Conversion of Unsecured Notes	279,278,798
29-07-1987 to 20-10-1987	90,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	279,368,798
30-11-1987	11,916	1.00	Conversion of Unsecured Notes	279,380,714
08-06-1988	27,938,071	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:10)	307,318,785
30-11-1988	10,725	1.00	Conversion of Unsecured Notes	307,329,510

ISSUED AND PAID-UP SHARE CAPITAL (CONT'D.)

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Total Issued and Paid-Up Capital RM'000
16-03-1989 to 21-06-1989	9,198,206	1.00	Exchange for Kwong Yik Bank Berhad ("KYBB") shares	316,527,716
11-07-1989 to 23-11-1989	7,555,900	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	324,083,616
30-11-1989	46,174,316	1.00	Conversion of Unsecured Notes	370,257,932
01-12-1989 to 24-10-1990	4,508,900	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	374,766,832
16-11-1990	187,383,416	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:2)	562,150,248
27-11-1990	11,550	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	562,161,798
30-11-1990	280,497	1.00	Conversion of Unsecured Notes	562,442,295
03-01-1991	3,300	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	562,445,595
03-01-1991	188,991,002	1.00	Rights Issue (1:2) at RM5.00 per share	751,436,597
04-01-1991	4,950	1.00	Rights Issue (1:2) upon ESOS at RM5.00 per share	751,441,547
25-01-1991 to 28-11-1991	726,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	752,167,547
30-11-1991	35,197	1.00	Conversion of Unsecured Notes	752,202,744
11-12-1991 to 20-05-1992	5,566,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	757,768,744
30-11-1992 to 30-11-1993	3,153,442	1.00	Conversion of Unsecured Notes	760,922,186
18-01-1994	380,461,093	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:2)	1,141,383,279
29-12-1994	2,030,428	1.00	Conversion of Unsecured Notes	1,143,413,707
19-06-1998	1,143,413,707	1.00	Capitalisation of Share Premium and Retained Profit Account (Bonus Issue 1:1)	2,286,827,414
21-09-1998 to 09-10-2001	72,909,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	2,359,736,414
23-10-2001	1,179,868,307	1.00	Capitalisation of Retained Profit Account (Bonus Issue 1:2)	3,539,604,721
25-10-2001 to 05-08-2003	60,567,200	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	3,600,171,921
29-09-2004 to 10-08-2007	290,898,600	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	3,891,070,521
17-08-2007 to 06-02-2008	13,159,500	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	3,904,230,021
20-02-2008	976,057,505	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:4)	4,880,287,526
22-02-2008 to 08-08-2008	850,125	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	4,881,137,651

** The par value of the Bank's shares was changed from RM5.00 to RM1.00 on 25 November 1968*

MAYBANK GROUP GLOBAL NETWORK

1. **Malaysia**
   374 branches

2. **Philippines**
   45 branches

3. **Singapore**
   22 branches

4. **Brunei Darussalam**
   3 branches

5. **Indonesia**
   3 branches

6. **Pakistan**
   4 offices

7. **Cambodia**
   2 branches

8. **Papua New Guinea**
   2 branches

9. **Vietnam**
   2 branches

10. **New York, USA**
    1 branch

11. **London, UK**
    1 branch

12. **People's Republic of China**
    1 branch and
    1 representative office

13. **Hong Kong SAR**
    1 branch

14. **Bahrain**
    1 branch

15. **Uzbekistan**
    1 office

PROPERTIES OWNED BY MAYBANK GROUP

Area	No. of Properties Freehold	Leasehold	Land Area (sq m.)	Book Value as at 30.6.2008 (RM)
Maybank				
Kuala Lumpur	17	17	51,252.18	236,296,134.24
Johor Darul Takzim	34	11	21,525.10	60,255,042.39
Kedah Darul Aman	12	8	6,911.83	11,809,256.25
Kelantan Darul Naim	1	6	2,325.00	3,053,482.05
Melaka	1	6	3,531.00	6,263,883.99
Negeri Sembilan Darul Khusus	12	5	23,655.20	8,848,521.86
Pahang Darul Makmur	10	16	20,629.80	17,364,205.31
Perak Darul Ridzuan	19	8	11,478.35	16,023,112.89
Perlis Indera Kayangan	1	3	1,475.00	1,826,504.06
Pulau Pinang	26	4	14,781.26	28,146,111.58
Sabah	—	21	15,218.40	27,299,201.79
Sarawak	9	15	7,812.97	21,673,281.70
Selangor Darul Ehsan	27	16	104,263.30	113,546,997.70
Terengganu Darul Iman	7	2	4,329.00	4,792,918.28
Hong Kong	—	2	193.00	HKD1,377,220.87
London	—	6	1,215.00	GBP530,546.24
Singapore	12	12	26,926.00	S$113,398,686.43
Maybank International (L) Ltd				
W.P. Labuan	—	3	1,089.81	USD204,165.04
Mayban Life Assurance Berhad				
Kuala Lumpur	—	1	4,506.00	59,874,042.52
Negeri Sembilan Darul Khusus	1	—	148.64	220,000.00
Mayban General Assurance Berhad				
Kuala Lumpur	—	1	2,706.00	39,909,922.00
Sabah	—	1	186.00	263,485.00
Pulau Pinang	1	—	171.00	570,000.00
Johor Darul Takzim	1	—	125.41	530,000.00
Kedah Darul Aman	2	—	767.43	330,004.00
Mayban PB Holdings				
Kuala Lumpur	—	2	747.59	2,758,573.11
Johor Darul Takzim	2	1	1,330.00	2,435,831.07
Pahang Darul Makmur	1	2	595.42	1,126,480.58
Perak Darul Ridzuan	1	1	857.74	2,585,377.29
Pulau Pinang	1	—	445.93	867,605.39
Sabah	—	3	634.81	1,695,208.64
Sarawak	—	1	314.00	999,489.45
Selangor Darul Ehsan	2	2	1,594.77	3,597,092.21

Area	No. of Properties Freehold	Leasehold	Land Area (sq m.)	Book Value as at 30.6.2008 (RM)
Aseambankers Malaysia Berhad				
Negeri Sembilan Darul Khusus	1	2	591.97	492,852.15
Pahang Darul Makmur	1	1	229.11	351,646.37
Pulau Pinang	1	—	84.04	158,100.00
Perak Darul Ridzuan	—	1	260.00	249,112.12
MNI				
Kuala Lumpur	1	2	23,989.53	412,000,000.00
Johor Darul Takzim	2	—	464.52	1,700,000.00
Kedah Darul Aman	1	1	514.33	1,860,000.00
Kelantan Darul Naim	0	1	298.00	320,000.00
Melaka	0	1	452.00	1,250,000.00
Negeri Sembilan Darul Khusus	2	1	486.41	2,670,000.00
Pahang Darul Makmur	1	1	933.61	1,780,000.00
Perak Darul Ridzuan	1	0	483.09	880,000.00
Perlis Indera Kayangan	1	0	286.14	420,000.00
Pulau Pinang	1	1	621.59	3,450,000.00
Sabah	—	2	5,170.05	2,940,000.00
Sarawak	0	1	222.96	1,300,000.00
Selangor Darul Ehsan	2	1	136,152.57	34,500,000.00
Terengganu Darul Iman	1	0	111.48	780,000.00
Double Care Sdn Bhd				
Kuala Lumpur	1	—	4,373.50	40,000,000.00
Pahang Darul Makmur	—	1	17,401.49	1,300,000.00

LIST OF TOP 10 PROPERTIES OWNED BY MAYBANK GROUP

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date/Year)	Age of Building	Land Area (sq.m.)	Year of Acquisition	Net Book Value (RM'000)
Etiqa Twins No. 11, Jalan Pinang Kuala Lumpur	27-storey Twin Office Buildings	Office & Rented out	Freehold	—	14 years	6,612	1994	RM330,000 (Revaluation)
Menara Maybank 100, Jalan Tun Perak Kuala Lumpur	58-storey Office Building	Head office & Rented out	Freehold	—	21 years	35,494	1978	RM147,917
Dataran Maybank No. 1, Jalan Maarof Bangsar	2 Blocks of 20-storey and a block 22-storey Office Buildings	Office & Rented out	Leasehold 99 years	77 years (3.12.2085)	8 years	9,918	2000	RM138,097
2 Battery Road Maybank Tower Singapore	32-storey Office Building	Office	Leasehold 999 years	818 years (2825)	7 years	9,401	1962	S$75,010
Menara Etiqa 23, Jalan Melaka Kuala Lumpur	25-storey Office Building	Office & Rented out	Leasehold 99 years	58 years (2065)	14 years	1,960	1994	RM53,000
1079, Section 13 Shah Alam	Commercial Land	Vacant	Leasehold 99 years	95 years (11.3.2102)	—	135,492	1994	RM31,000
Lot 379, Section 96 Bangsar, Kuala Lumpur	Vacant Land	Rented out	Leasehold 99 years	58 years (25.7.2065)	—	15,417	1975	RM29,000
Johor Bahru City Square Level 1 (M1-22) 2 (M2-15), 3 (M3-25) and Level 8 City Square Johor Bahru	Retail Units- Level 1 (podium) Level 2 (podium) Level 3 (podium) Level 8 (office tower)	Office	Leasehold 99 years	84 years (14.6.2091)	8 years	3,972	2000	RM28,396
Jalan Air Itam Bangi, Kajang Selangor	5-storey Building	Maybank Training Complex	Leasehold 99 years	79 years (18.12.2086)	21 years	80,692	1987	RM26,020
Lot 12 Jalan Astaka U8/84 Seksyen U8 Bukit Jelutong Shah Alam	7-storey Office & Industrial Building	Call Centre	Freehold	—	11 years	6,091	1997	RM23,193

GROUP DIRECTORY
AS AT 30 JUNE 2008

COMMERCIAL BANKING

Maybank
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2070 8833

Maybank Islamic Berhad
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2070 8833

P.T. Bank Maybank Indocorp
17th Floor, Menara Sona Topas
Jalan Jenderal Sudirman Kav. 26
Jakarta 12920, Indonesia
Tel : (62)-21-250 6446

Maybank Philippines Incorporated
Legaspi Towers 300
Roxas Boulevard
Manila 1004, Philippines
Tel : (632)-523 7777

Maybank (PNG) Ltd
Corner Waigani Road/Islander Drive
P.O. Box 882 Waigani
National Capital District
Papua New Guinea
Tel : (675)-325 0101

Maybank International (L) Ltd
Level 16 (B), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel : (6)087-41 4406

INVESTMENT BANKING

Aseambankers Malaysia Berhad
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2059 1888

INSURANCE

Mayban Fortis Holdings Berhad
Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 3888

Mayban General Assurance Berhad
Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 3888

Mayban Life Assurance Bhd
Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 3888

Etiqa Life International (L) Ltd
(Formerly known as Mayban Life International (Labuan) Ltd)
Level 11B, Block 4 Office Tower
Financial Park Complex
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel : (6)087-58 2588

Etiqa Offshore Insurance (L) Ltd
(Formerly known as MNI Offshore Insurance (L) Ltd)
Level 11B, Block 4 Office Tower
Financial Park Complex
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel : (6)087-41 7672

Etiqa Insurance Berhad
(Formerly known as Malaysia National Insurance Berhad)
Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 3888

Etiqa Takaful Berhad
(Formerly known as Takaful National Berhad)
Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 3888

ASSET MANAGEMENT

Mayban Ventures Sdn Bhd
41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2032 2188

Mayban Venture Capital Company Sdn Bhd
41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2032 2188

Mayban-JAIC Capital Management Sdn Bhd
41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2032 2188

Mayban Agro Fund Sdn Bhd
41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2032 2188

Mayban-JAIC Management Ltd
Unit Level 13 (E), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel : (6)03-2032 2188

Mayban Investment Management Sdn Bhd
Level 13, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 3888

TRUSTEE & NOMINEE SERVICES

Mayban Trustees Bhd
34th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2070 8363

Mayban (Nominees) Sendirian Berhad
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2070 8833

Mayban Nominees (Tempatan) Sdn Bhd
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2070 8833

Mayban Nominees (Asing) Sdn Bhd
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel : (6)03-2070 8833

Mayban Securities Nominees (Tempatan) Sdn Bhd
Level 5, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 8888

Mayban Securities Nominees (Asing) Sdn Bhd
Level 5, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel : (6)03-2297 8888

FORM OF PROXY
FOR THE 48TH ANNUAL GENERAL MEETING

MALAYAN BANKING BERHAD
(Company No. 3813-K)
(Incorporated in Malaysia)

Number of shares held	CDS Account No
	- -

Please refer to the notes below before completing this Form of Proxy.

I/We _____ NRIC/Co. No. _____
(full name in block letters)

of _____ Telephone No. _____
(full address)

a shareholder/shareholders of MALAYAN BANKING BERHAD, hereby appoint

_____
(full name in block letters)

of _____
(full address)

or failing him/her _____
(full name in block letters)

of _____
(full address)

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 48th Annual General Meeting of Malayan Banking Berhad to be held at Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 25 September 2008 at 11.30 a.m. and at any adjournment thereof for the following resolutions as set out in the Notice of Annual General Meeting:-

No.	Resolution	For	Against
1	**Ordinary resolutions:** Receipt of Audited Financial Statements and Reports		
2	Declaration of Final Dividend		
3	Re-election of Tan Sri Megat Zaharuddin bin Megat Mohd Nor in accordance with Articles 96 and 97		
4	Re-election of the following Directors in accordance with Article 100: i. Tan Sri Dato' Sri Chua Hock Chin		
5	ii. Datuk Syed Tamim Ansari bin Syed Mohamed		
6	iii. Dato' Aminuddin bin Md Desa		
7	iv. Dato' Sri Abdul Wahid bin Omar		
8	Re-appointment of Directors pursuant to Section 129(6) of Companies Act, 1965: i. Tan Sri Mohamed Basir bin Ahmad		
9	ii. Haji Mohd Hashir bin Haji Abdullah		
10	iii. Teh Soon Poh		
11	Payment of Directors' fees amounting to RM1,117,889.32 for the financial year ended 30 June 2008		
12	Re-appointment of Messrs. Ernst & Young as Auditors		
13	Authorisation for Directors to issue shares pursuant to Section 132D of Companies Act, 1965		

My/Our proxy is to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy shall vote or abstain as he/she thinks fit.

Dated this _____ day of _____ 2008

_____
Signature(s) of shareholder(s)

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy must be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its Directors.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy but not more than two proxies each in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Duly completed Form of Proxy must be deposited at the Company's registered office at 14th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur not less than forty-eight (48) hours before the time set for the Meeting and any adjournment thereof.
4. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
5. Only members whose names are registered in the Record of Depositors on or before 12.30 p.m., on 22 September 2008 shall be eligible to attend the Annual General Meeting.

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STAMP

CORPORATE SERVICES
MAYBANK
14th Floor, Menara Maybank,
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

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